



IMPERIALISM AND THE ACCUMULATION OF CAPITAL



**ROSA LUXEMBURG AND
NIKOLAI BUKHARIN**

This volume presents two key works in the development of Marxism: *The Accumulation of Capital: An Anti-Critique*, by Rosa Luxemburg, written in 1915 when she was in prison; and *Imperialism and the Accumulation of Capital*, written by Nikolai Bukharin in 1924. Bukharin's book, of which this is the first translation into English, is a direct rebuttal of Rosa Luxemburg's earlier work. In particular, it attacks her economic interpretation of imperialism. In the *Anti-Critique* Rosa Luxemburg had argued that capitalism always needed to expand into a third market, beyond that of itself and the workers. It was this need, she said, that provided the basis for imperialism. Bukharin, on the other hand, emphasized the militaristic and exploitative aspects of imperialism and suggested that, although unwittingly, Luxemburg's case amounted to seeing imperialism as the harmonious use of accumulated capital.

Kenneth Tarbuck's Introduction shows how relevant this argument still is to the relations between capitalism and the Third World. These works contribute vitally and creatively to the growth of classical scientific socialism; the appearance of this book is a major event in modern Marxist studies.

ROSA LUXEMBURG
AND NIKOLAI BUKHARIN

IMPERIALISM
AND THE
ACCUMULATION OF
CAPITAL

Edited with an Introduction by
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ROSA LUXEMBURG

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NIKOLAI I. BUKHARIN

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PREFACE

The present volume brings to the English-speaking public two items that have not been available before. They are of significance both from an historical point of view and for their content. Here we have two minds of exceptional vigour contesting, but from the common standpoint of Marxism. Both the writers have written longer treatments of the subject matter which are already available to the English reader. However, the present volume brings together later and more succinct elaborations which form an integral part of the study of the two authors and also of their subject.

Regarding the actual texts, I have tried to interfere as little as possible with both of them. I have only interpolated comments where I thought they were necessary to clarify any particular statement. All such comments of mine are clearly marked off by the use of square brackets. In those cases where the interpolation belongs to someone else, authorship is indicated by the use of initials. All the footnotes that I have added for the information of the English reader are put into square brackets. The Bukharin text presented few problems as he had already put his work into chapters. Luxemburg's text presented more problems because she wrote the whole work as one extended essay, with only numerical breaks. The chapter headings in the Luxemburg text I have added myself; in so doing I hope I have maintained the spirit of her intentions.

All references given in the texts have been updated, so that readers may refer to the latest English translations available. The same has been done with quotations as far as is possible.

I have inserted footnotes giving information about a number of individuals, some of whom will be well known to some readers, others perhaps not at all. I hope I have not erred in presenting information which may seem commonplace to the more informed reader; my aim has been to give the non-specialist as much information as is consistent with easy understanding of the texts.

I wish to thank Dr A. P. Roberts and Dr J. Malos for their helpful advice and criticism in preparing the introduction and appendixes. However, any mistakes in this work are entirely my own.

Kenneth J. Tarbuck

Translator's Note

Both texts have been translated from the German; in Bukharin's case from the translation authorized by him and in which he actually collaborated. What created difficulties was the fact that both authors used the language rather carelessly sometimes, using obscure words or words with an ambivalent meaning. In fact, Bukharin's attack on the way Rosa Luxemburg constructs some of her sentences (German was not her native language, of course) could well be applied to himself in several cases.

Nevertheless I hope to have reproduced both texts true to their original.

I should like to express my gratitude to Mary Jackson, Jerry D. Umansko and especially Peter Wrobel, without whose help the final result would have been far from what it is.

Rudolf Wichmann

BIOGRAPHICAL NOTES

Rosa Luxemburg (1871–1919)

Rosa Luxemburg was born in the small Polish town of Zamosc (then part of the Russian Empire) on 5 March 1871. She was the daughter of Jewish parents of middle-class status but of modest means. Her family appears to have had some tradition of Western European culture and in this respect could be said to have been of liberal inclination in the wider sense of the term.

Rosa seems to have had a happy childhood, despite a hip deformity that had been originally and wrongly diagnosed as tuberculosis of the bone. This illness kept her in bed for a year, and left her with a limp for the rest of her life. Her family moved to Warsaw when she was two and a half years old, mainly it seems so that the children could avail themselves of the better educational opportunities afforded by the capital city. It was here that Rosa passed her childhood and early youth. She suffered from a double disability in her education, being both Jewish and Polish. The period of her education was one when the attempted Russification of the Poles was in full swing. Russian was the language used in the schools and even conversation among the students in Polish was forbidden. Along with this there was the imposition of the *numerus clausus* for Jews. Rosa was evidently a rebellious student, for she was denied the gold medal that her academic attainments would have normally afforded her on graduation.

She began her political activity while still a high school student and came into contact with the remnants of the party *Proletariat* which was the earliest attempt to organize a socialist party in Poland. Her activities eventually drew the attention of the police and at the age of nineteen she had to flee into exile.

She chose to go to Zurich in Switzerland to study at the university, and also to join the colony of Russian and Polish exiles established there, among whom was Plekhanov – rightly called the ‘Father of Russian Marxism’. One point that also probably weighed heavily in the choice of Zurich was the fact that at that time it was one of the few universities in Europe to accept women

students on equal terms with men. She enrolled in the university in 1890 in the faculty of philosophy and for two years studied the natural sciences and mathematics. In 1892 she changed her study course and switched to the faculty of law. There she remained for five years and in 1898 won a doctorate by a dissertation on *The Industrial Development of Poland*, which was published in Leipzig in the same year, an unusual honour and an indication of the brilliance of the work.

In Zurich, Rosa met Leo Jogiches, a fellow Pole a few years her senior, who was to become the most dominant figure in her personal life for many years and certainly the most politically influential one for the rest of her life. It was while they were in Zurich that Luxemburg and Jogiches, along with others, founded the Social Democracy of the Kingdom of Poland (SDKP). This was a breakaway from the Polish Socialist Party (PPS) over the national question, and specifically over self-determination for Poland. 'The use of the term "Kingdom of Poland" . . . meant that the Social Democrats were determined to limit their activities to the Russian controlled part of the country known, since the Congress of Vienna [1815], as the Kingdom of Poland, or the Congress Kingdom.'^{*} Up to this point it had been an unquestioned axiom of socialists that they stood for the right of all nations to self-determination. The SDKP, however, took its stand on a thesis on the national question originally drawn up by Luxemburg; this was that the Polish proletariat should look for its liberation in an alliance with the Russian working class and not support the Polish bourgeoisie in any national struggle. The reason advanced for this was that the Polish bourgeoisie, by its very need for the vast Russian market for its industries, was too closely tied to Tzarism and the Russian empire to lead an effective struggle. Also, the idea was advanced that the Polish working class should struggle for a socialist revolution rather than a bourgeois-democratic one. This idea in some ways foreshadowed Trotsky's theory of permanent revolution, which postulated that, because of the law of uneven and combined development, any struggle in such a backward country as Russia must perforce move directly over to one for the establishment of the dictatorship

^{*} M. K. Dziewanowski, *The Communist Party of Poland - An Outline History*, p. 23.

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of the proletariat, rather than stop at the point of a bourgeois-democratic republic. Right up to the time of her death, the SDKP was one of the major concerns of Luxemburg even though most of her *public* life was played out in Germany.

In 1898 Luxemburg decided to go to Germany, then the centre of the socialist world with its mass Social Democratic Party, the apparent living incarnation of Marxism. This was the party that in 1913 was to have ninety daily papers, circulating 1,353,212 copies, and sixty-two printing offices, with nearly three thousand paid full-time workers.* Even in 1898 this party had members in the Reichstag and appeared to be the strongest party in the Socialist International. Above all, the SPD was pre-eminent in the field of theory with a galaxy of intellectual talent whose brightest star at this time was Karl Kautsky (1854-1938), sometimes known as 'the Pope of Marxism'. To enable herself to settle in Germany without any trouble from the police, Luxemburg went through a marriage ceremony with Gustav Lubeck on 19 April 1898, which gave her German nationality. This marriage was wholly a legal fiction for the couple parted at the Registry Office door.

The arrival of Luxemburg in Germany coincided with the beginning of the debate on revisionism, i.e. the attempt by Eduard Bernstein (Friedrich Engels's literary executor) to revise the SPD's formal programme from that of revolutionary Marxism to that of a gradualistic reformist party. Luxemburg threw herself into this debate and provided a brilliant reply to Bernstein in her *Social Reform or Revolution*; she summarized the dispute around Bernstein's aphorism: 'The final goal, no matter what it is, is nothing; the movement is everything.' Luxemburg thrust right to the heart of the matter in these words:

. . . since the final goal of socialism constitutes the only decisive factor distinguishing the Social-Democratic movement from bourgeois democracy and from bourgeois radicalism, the only factor transforming the entire labour movement from a vain effort to repair the capitalist order into a class struggle against this order, for the suppression of this order - the question: 'Reform or Revolution?' as it is posed by Bernstein, equals for the Social-Democracy the question: 'To be or not to be?' In the controversy with Bernstein and his followers, everybody in the Party ought to understand clearly it is not a question of this

* See A. Ramos Oliveira, *A People's History of Germany*.

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or that method of struggle, or the use of this or that set of tactics, but of the very existence of the Social-Democratic movement.*

It was in this debate that Luxemburg won her spurs in the SPD, acquiring a national and international reputation as a Marxist theorist.

Alongside her varied work in the SPD, writing, speaking and touring, she also continued to lead the SDKP, mainly through literary work but also by acting as its representative to the SPD and advising its Executive Committee on Polish questions.

When the revolution of 1905 broke out in Russia Luxemburg was anxious to return to Poland to engage in active participation of the work of the SDKP. However, mainly due to health reasons, she was not able to go to Poland until late in 1905 when the main force of the revolution had been spent – although this was not realized at the time. Back in Warsaw she played an active leading role in the work of the party, writing for its newspaper, speaking at factories, sometimes working around the clock. Eventually, as the Tzarist authorities regained control of the situation the flood-tide of activities began to subside and Rosa was arrested. She was held in custody for some months without trial. The fact that she was a German citizen presented a problem for the Russian authorities, and eventually she was released on bail on grounds of ill-health. She made her way to St Petersburg, meeting leaders of the Russian Social Democrats still at liberty, and then went on to Helsinki where she met Lenin and other members of the Bolshevik faction. From Finland Rosa returned to Germany. From her experiences in Poland and her overall appraisal of the Russian revolution she wrote *The Mass Strike, the Political Party and the Trade Unions*.

The years from 1906 to 1911 were relatively quiet, the prevailing mood in the German party being one of caution and marking time after the heady days of the Russian Revolution.

In 1908 Rosa became a member of the staff of the SPD Central School in Berlin, where she remained until 1914. It was while at the school and arising out of her attempt to write a textbook on political economy that she became convinced that Marx had only posed certain problems in the second volume of *Capital*. She

* Rosa Luxemburg, *Social Reform or Revolution*, p. 7.

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attempted to find the solution to these problems and the result was *The Accumulation of Capital*.^{*} This book is still considered to be her major theoretical work, although this is in large measure due to the controversy that it aroused (and still does). It is somewhat ironical that the great bulk of her writings have yet to be translated into English, so that her reputation in the English-speaking world in the main rests upon a fraction of her life's work. Much of what she wrote is still relevant today, over fifty years after her death.

The years after 1911 proved to be more fruitful for Luxemburg. She became caught up in the agitation that the SPD launched on the question of the Prussian suffrage, which up to then had effectively barred the big majority of workers from voting for the Prussian Diet elections. During these same years Rosa broke her close political connexions with Karl Kautsky, seeing quite clearly the opportunist road he was treading. In this matter she was ahead of her contemporaries in the international Marxist movement, in particular Lenin who was not apprized of the real evolution of Kautsky (and by implication the leadership of the SPD) until the outbreak of war in 1914. It was also during this period – in 1913 – that Rosa wrote the *Accumulation*.

With the outbreak of war, and the subsequent collapse of the Socialist International, Luxemburg immediately took an uncompromising stand against it. For this opposition she was to spend practically the whole of the war in prison. It was there in 1915 that the present work was written. It was also while in prison that she wrote the celebrated Junius pamphlet, *The Crisis in the German Social Democracy*. This was to provide the rallying call of the anti-war left. She was joined in this work by Franz Mehring, Karl Liebknecht and Leo Jogiches, a group which finally coalesced in the setting up of the Spartakusbund.

With the November revolution of 1918 and the overthrow of the Kaiserreich, Luxemburg was freed from prison. She immediately set about strengthening and extending the influence of the revolutionary left. In December of 1918 the Spartakusbund held a conference with other left groups and founded the Communist Party of Germany (KPD). Luxemburg spoke at this conference and introduced the new party's programme. It is clear from her

^{*} Published in an English translation in 1951 (see Bibliography).

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writings that, even though she was an ardent supporter of the Bolshevik revolution, she was by no means uncritical.

In early January 1919 the Berlin workers began a series of armed demonstrations in protest against the attempt to remove Émile Eichhorn as chief of the Berlin police. Eichhorn was a popular left Social-Democrat and as such was an obstacle in the way of the army's attempt to 'restore law and order' with the connivance of the republican Social Democratic government. This became known as the Spartakus week since, although the leaders of the Spartakusbund were against the demonstrations, they put themselves at the head of them when they could not dissuade the workers from acting. The demonstrations were finally put down in a bloody and brutal manner by the army and a veritable terror was launched against all revolutionary socialists.

On 15 January 1919 Luxemburg and Liebknecht were arrested by army officers (under the control of the new republican Social Democratic government) and brutally murdered. Luxemburg was battered to death with rifle butts and her body thrown into a canal, where it remained for some weeks. Liebknecht was shot in the back of the head and his body taken to a mortuary and deposited as an 'unknown person found shot'. Had Luxemburg lived it is quite possible that the subsequent evolution of the KPD would have been very different. Had this been so it might well have changed the course of European history, but that is an historical 'if'.

Right to the end Luxemburg never faltered in her belief that the masses could and would make a socialist revolution. On the day before she died she wrote:

The masses are the decisive element, they are the rock on which will be built the final victory of the revolution. The masses have stood the test; they have made out of this 'defeat' one link in the chain of historical defeats which constitute the pride and the power of international socialism. And this is why out of this 'defeat' victory will be born. . . . Tomorrow already the revolution will arise again in shining armour and will frighten you with her trumpet call: I was, I am, I shall be!*

* Quoted by F. L. Carter in his essay 'Freedom and Revolution: Rosa Luxemburg', in *Revisionism - Essays in the History of Marxist Ideas*, ed. Leopold Labedz.

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This could indeed have been her own epitaph. Without any doubt Luxemburg was the greatest woman the revolutionary Marxist movement has yet produced. Moreover, one can equally say that she was one of the greatest figures produced by Marxism, both as a theoretician and as a practical leader. Her influence was felt in Germany, Poland and Russia, and today she still exerts a profound influence on many young Marxists. Lenin said of her: 'Rosa Luxemburg . . . was, and remains for us, an eagle.'

Her biographer, J. P. Nettl, wrote of her:

. . . I do not claim complete relevance or justification for all her work today. The most that can be said is that some neglected aspects are coming into their own. Surely it is already a mark of greatness for part of a political writer's work to have retained even partial relevance for fifty years, particularly when that writer was not concerned with general philosophy but with analysis of and influence on contemporary events.*

This then is the writer I wish to introduce to the reader, a woman who lived and died for the cause to which she passionately devoted her whole life. This struggle was for the liberation of the working class, and indeed of all humanity, from the horrors of imperialist capitalism.

Nikolai Ivanovich Bukharin (1888-1938)

Bukharin is a more complex and subtle character than Luxemburg. His relatively short effective political life shows greater turns and shifts of position. At the start of his career he was considered to be on the extreme left of the Bolshevik party but by 1929 he was the acknowledged leader of the right wing.

He was born in Moscow in the autumn of 1888; his parents were school teachers and could therefore be described as middle

* J. P. Nettl, *Rosa Luxemburg*, Vol. I, pp. 6-7.

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class. His father was a mathematician and described Nikolai as being 'a very unpractical person in daily life'.* Bukharin studied at Moscow University and while there came into contact with the Russian Social Democratic Party, beginning his career as a revolutionary while still a student; this was in the year 1906. In the same year he helped organize a strike of workers in a boot factory.

In 1909 he was arrested for his political activity, and was first sent to prison and then later into exile. In 1910 he escaped, went abroad and first met Lenin at Cracow in the year 1912. This was the beginning of a long and fruitful collaboration between the two men, even if it was not always without friction. In these pre-war days Bukharin was to wander through a number of European countries, and in 1913 was resident in Vienna. A description of Bukharin at that time is given by Rosa Meyer-Leviné:

I first saw Bukharin in Vienna in the winter of 1913-14, at one of those arrangements common in the Russian colonies abroad, literary and political lectures, discussions, occasionally even dances. There used to be quite a few striking faces in the audience, even Trotsky was sometimes present at those gatherings. But Bukharin stood out among them through a quality of his own. There was in his appearance something of a saint, rather than a rebel or a thinker. The image of Count Myshikin of Dostoyevsky's *Idiot* involuntarily sprang to mind, at least the way the Russian actors tried to portray him. Perhaps this made me detect at once the mainly humanitarian aspect of that unusual man. He was slightly built and looked even younger than his real age, only twenty-six at the time. His open face with the huge forehead and clear shining eyes was in its quiet sincerity sometimes almost ageless.†

This was the man that was to become one of the foremost theoreticians of international Communism in the 1920s and early 1930s. While in Vienna Bukharin attended lectures at the university given by Professor Böhm-Bawerk and studied the theorists of the Austrian marginalist school of economics. At the outbreak of war he was deported to Switzerland where he worked in collaboration with Lenin. From there he went to Stockholm and there was again arrested and deported, to Norway. In 1916 he went on

* See E. H. Carr, *Socialism in One Country*, Vol. I, p. 177.

† From an unpublished memoir. I wish to thank the author for permission to quote from this source.

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to New York to collaborate with Trotsky in the production of the Russian language newspaper *Novy Mir*.

It was during this period of exile and wandering that Bukharin wrote some of his major theoretical works, e.g. *Imperialism and the World Economy*, many of which were not published until after the Bolshevik revolution of 1917.

In 1917, after the February revolution which overthrew the Tzarist regime, Bukharin returned to Russia via Japan and the trans-Siberian railway. By this time he was a member of the Central Committee of the Bolshevik Party and became one of its leading propagandists. The differences between himself and Lenin on the national question and the state had by this time been overcome; Lenin going a long way towards Bukharin's ideas on the state, as was exemplified in *The State and Revolution*, and Bukharin becoming reconciled to Lenin's position of self-determination for all nations.*

Bukharin became the leader of the Moscow Bolshevik organization and, as such, played a leading role in the seizure of the capital in October 1917. In the same year he became editor of *Pravda*, the leading daily newspaper of the Bolsheviks, and also became a candidate member of the Political Bureau of the Central Committee. It is interesting to note that, during the whole of his political career, Bukharin held no government post; the only posts which he did hold were those of editor of *Pravda*, chairman of the Communist International and member of the Central Committee and Politburo; so perhaps his father's comment had some justification. Essentially he held his position and authority as a theoretician, and was justifiably dubbed by Lenin 'the favourite of the party'. Even at the height of the civil war he found time – along with Evgeny Preobrazhensky – to write *The ABC of Communism*. This became the most widely read, circulated and translated of his, and probably any other Bolshevik leader's, writings in the 1920s. This work became 'the bible' of the Comintern in that period, there being nearly forty editions or reprints listed in a recent bibliography.† The fact that Bukharin

* The dispute between Lenin and Bukharin during the war is documented by O. H. Gankin and H. H. Fisher in *The Bolsheviks and the World War*.

† *Nikolai I. Bukharin – A Bibliography*, compiled and edited by Sidney Heitman.

wrote this book at the height of the civil war in no way minimizes his role, for the Bolsheviks fought that war as much with the pen as the sword.

During the period up to 1922-3 Bukharin was always regarded as being a left Communist, being one of the leaders of the opposition to the Brest-Litovsk peace treaty with imperial Germany in 1918. Bukharin was a supporter of the idea of a revolutionary war with Germany and denounced the peace treaty as a surrender of revolutionary integrity, openly opposing the signing of the treaty in the daily press, even in twice-daily editions of the Moscow *Pravda*. Bukharin and his followers on the Central Committee resigned over the acceptance of the German demands and continued to oppose them publicly, using the Moscow Regional Committee of the Bolshevik Party as their base of operations. However, at the 7th Congress of the party, held in March 1918, Bukharin and his group were re-elected to their former positions, mainly at the insistence of Lenin.*

During the civil war Bukharin became an enthusiastic supporter of 'war communism', which was the period of requisitioning, declining use of money and the maximum effort devoted to the production of munitions for the Red Army. This period led to a state of mind on the part of many Bolsheviks in which they thought it was possible to make the transition to communism direct, abolishing the market and the use of money. Bukharin's most celebrated written work in this period was *The Economics of the Transition Period*. This could be said to be his last 'fling' as a left Communist.

With the death of Lenin in January 1924 Bukharin rapidly began to move to the right of the party, becoming the theoretical spokesman first of the troika of Zinoviev, Kamenev and Stalin in their struggle against Trotsky, and then of Stalin when Zinoviev and Kamenev broke with Stalin and went into opposition in 1926.

During this period Bukharin began to emerge as the spokesman of the peasants within the Bolshevik Party. When, in 1924, the Communist International adopted the thesis that capitalism had stabilized itself, Bukharin translated this into Russian reality which convinced him of the need to push the New Economic Policy (NEP), which had been introduced in 1921, still further in

* See Robert V. Daniels, *The Conscience of the Revolution*, Chapter 3.

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the direction of concessions to the peasants and petty-producers. NEP was seen by all sections of the party as a retreat from war communism which allowed elements of capitalist production and trading to re-emerge and thereby push forward the desperately needed recovery of the war-shattered economy. From that time on, Bukharin took the view that the Soviet economy could only advance at the pace dictated by the predominantly peasant sector. Essentially this took the form of seeing that, as the peasants grew more prosperous, they would generate increased demand for consumer goods which would encourage the growth of light industry; this in turn would stimulate the development of heavy industry. In late 1923 and early 1924 Bukharin publicly crossed swords with his former close colleague Preobrazhensky on this question of how the Soviet economy would develop. Preobrazhensky put forward a theory of 'primitive socialist accumulation',* which implied that the non-state sectors of the economy would have to contribute to the development of heavy industry over and above what they would do through the working of the market. This was in reverse order to Bukharin's thesis. Bukharin's views were rapidly endorsed by the ruling bodies of the party, and it seemed that the Soviet economy was set to develop at the snail's pace that he talked about. (Bukharin spoke about riding to socialism drawn by the peasants' nag.)

With the defeat of Trotsky's Left Opposition in 1924, and then of the United Opposition of Trotsky, Zinoviev and Kamenev in 1927, Bukharin seemed to be at the zenith of his power and influence. He had been appointed Chairman of the Communist International when Zinoviev had been removed in 1926, he was still Chairman of the Moscow Regional Party Committee, editor of *Pravda*, member of the Central Committee, and of the Politburo, the latter being the most powerful body in the country. He was recognized as being the foremost theoretician of international communism, and his position seemed unassailable.

Yet a little over a year after the defeat of the United Opposition Bukharin himself, along with his followers, was under attack for 'right deviationism' and had been stripped of all effective power. The reason for the dispute that broke out between the Right Opposition and Stalin's faction was the question of the tempo of

* See E. Preobrazhensky, *The New Economics*.

industrialization and the attitude to be taken towards the peasants, especially the Kulaks, or rich peasants. The forces that impelled this dispute were to be found in the lack of development of the Soviet economy along the lines projected by Bukharin. The peasants, instead of providing the market for consumer goods, preferred to hold on to their grain surpluses because Soviet industry was unable to supply them with the goods they wanted at prices they were willing to pay. In the spring of 1928 there was a grain crisis which forced the government to take special measures to obtain grain for the towns, i.e. requisitioning. Again, in the autumn of that year, there was a shortage of grain for the cities (let alone for export, on which great hopes had been put to obtain foreign capital goods).

Bukharin and the Right Opposition chose not to fight Stalin's new-found enthusiasm for industrialization openly; rather they tried continually to reach a compromise behind the scenes. In the event, when the dispute did break out into the open, Bukharin and his followers were already beaten. Stalin had temporized with them in words while taking organizational measures which deprived them of any effective means of fighting.* By 1929 Bukharin had capitulated to Stalin and ceased to be an independent political factor. Although he was allowed to retain some of his positions, it was only as a prisoner who carried out the bidding of Stalin. In a sense Bukharin had been hoist with his own petard: having helped to unleash a deluge of lies and distortions against the previous oppositions, he had helped to create the very methods and machine which broke him.

The remaining nine years of Bukharin's life are merely a footnote to his previous activities. He no longer produced any original ideas nor even repeated his past convictions; he lived wholly in the shadow of the victorious Stalin, gradually losing what little formal authority he had held, slipping into a twilight world.

But he was not allowed to end his days obscurely. In 1938 he was put on trial along with other assorted personalities on charges of spying, wrecking and being in the pay of imperialist powers for many years. Bukharin's was the last and most spectacularly bizarre of the infamous Moscow Trials, during which practically the whole of the Bolshevik leadership of 1917 was accused of

* Daniels, *op. cit.*, Chapter 13.

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similar crimes and executed. Stalin climbed to power first over the moral and political reputations and then over the dead bodies of those who had led the Bolsheviks to power. During his trial Bukharin made attempts to salvage some remnants of his revolutionary integrity, but this met with little success. George Katkov comments: "... he co-operated with the Prosecutor in weaving the web in which he was ... caught, merely in order publicly to refute the monstrous and degrading accusation that he was a spy, and a would-be assassin of his beloved teacher, Lenin."* In the end he met the same fate as those who had not succumbed, he was shot.

Rosa Meyer-Leviné concludes her memoir of Bukharin with these words:

I have never quite forgotten Bukharin ... in his pathetic attempt to save some shreds of his personal and revolutionary honour, after throwing to the wolves his whole personality: Bukharin battling for words, naively reminding his persecutor Vyshinsky of a secret bargain, allowing for some dignity, while proceeding to cover himself with eternal shame – was sometimes akin to a helpless, unjustly treated child.

In the gallery of proud, brilliant men, reduced at the trials to whimpering half-wits, disclaiming their glorious past and their very identities, Bukharin was the most tragic figure.

He committed none of the crimes his executioners made him confess to. He was paying the penalty for a crime heaviest of all – for destroying along with his life work such a unique personality, the finest of its kind. ...

Bukharin began to destroy himself and the old guard of the Bolshevik party when he connived at the falsification of his opponents' ideas. Once having put his foot on this road, each succeeding step made it more difficult to turn back. His tragedy was not merely personal, but one that encompassed the best of his generation. For all his faults and weaknesses Bukharin remains firmly within the tradition of classical Marxism. The lies and slander heaped upon him cannot eradicate the mark he has left upon Marxism. The publication of this work will help to restore him to his rightful place among the intellectual giants of international Marxism.

* George Katkov, *The Trial of Bukharin*, p. 53.

EDITOR'S INTRODUCTION

I

This introduction has a number of functions. Section II outlines the origin and context of the controversy surrounding Rosa Luxemburg's *magnum opus*, *The Accumulation of Capital*, and what is considered to be its sequel, the *Anti-Critique*, the work that is presented in this volume. Section III is a summary of Marx's schemes of extended capital reproduction, included for those who are unfamiliar with these schemes. Section IV moves on to outline Luxemburg's and Bukharin's criticisms and ideas on the questions in dispute. Other writers' ideas on Luxemburg are dealt with in section V, but only on a selective basis. Section VI is an elaboration of Marx's schemes of reproduction along with our own ideas on Luxemburg's theories; there we set out what we consider to be her major misunderstanding and failings. The question of imperialism is covered in section VII; this is a brief survey of other writers on this subject and their relationship to Luxemburg. Finally, in section VIII, we have attempted to sum up and arrive at some conclusions.

Some readers may wish to leave certain sections of the Introduction before reading the body of the work and return to them later. In certain circumstances this may facilitate their understanding, since we have had, of necessity, to compress certain arguments. These may be more illuminating after a study of Luxemburg and Bukharin.

We have also included three appendixes, which we hope will help to clarify some parts of the discussion. These have had to be included in this manner since they would have impeded the flow of the work had we attempted to incorporate them in the body of the Introduction.

II

The controversy around the question of the accumulation of capital is generally assumed to have stemmed from Luxemburg's original work, *The Accumulation of Capital*.

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To her friends she gave the impression that the impulse for writing the book came from her attempt to write a textbook of Marxist economics, and from the subsequent difficulties she ran into with Marx's presentation of expanded reproduction (i.e. the accumulation of capital) in Volume II of *Capital*. However, a reading of her biography and an examination of the period make it clear that the question of imperialism generally – and the specific form of Prussian militarism combined with German monopoly capital – was the context which raised the seemingly abstract questions involved to the level of passionate political dispute.

Luxemburg had been given an academic training as an economist and was also highly regarded as a Marxist economist – sufficiently so to enable her to teach in the Social Democratic Party's central school. Therefore the questions that she raised could not have been unfamiliar to her, which prompts us to ask: why was it only in 1912 that these questions took on a crucial significance for her? The answer can only be found by placing these economic researches in a *political* context – that of Luxemburg's fight against revisionism, and of her attempts to warn the German party of the dangers of imperialism *and its ascending influence within that party*. Her misgivings about the moral and political decay of the SPD were amply justified in August 1914, when the parliamentary group of the party, for the first time in its history, voted for war credits.

The Accumulation of Capital, first published in 1913, raised a heated debate within the German party press and even beyond – much to the surprise, it seems, of Luxemburg herself. Considering her rather tempestuous progress through the SPD this should not have been such a surprise to her, and it is indicative of the manner in which she compartmentalized her life and her thinking.

The *Anti-Critique* was written in prison during 1915, but not published until 1921, and is presented here for the first time in English. Its scornful tone and highly polemical nature may be partly explained by Luxemburg's surprise at the intensity of the attacks upon her, but must also be related to the dispute over support or opposition to the war then in progress. For many, though not all, of those who harshly criticized *Accumulation* were also supporters of the German war effort; no doubt this gave Luxemburg a feeling of self-righteousness in defending her own

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theoretical ideas which somewhat blinded her to some of the valid points made by her opponents. After all, *she* was the one sitting in prison at the time, not her critics.

Bukharin's *Imperialism and the Accumulation of Capital*, although written in 1924 and printed in several Russian and German editions, has not previously been translated into English. Since it is a direct rebuttal of Luxemburg's ideas as expressed in *Accumulation* and *Anti-Critique*, its inclusion with the latter will enable the reader to follow through the points at issue with relative ease. The *Anti-Critique*, although a reply to critics, stands in its own right as a separate work, for it sums up in a cogent form the points that are scattered throughout the original work. Bukharin was correct, therefore, in directing much of his criticism towards it.

When Bukharin wrote the present work he was just approaching his apogee as the theoretical spokesman for orthodox Bolshevism, and as such his words carried a great deal of weight within the international communist movement. Again one must place the work within its historical context; Bukharin wrote this work at a time when there was a campaign being waged against 'Luxemburgism' in the German Communist Party. Thus it assisted those KPD leaders – such as Maslow and Fischer – who wanted to rid the party of its Luxemburgist heritage. (It is ironical to note that at this time 'Luxemburgism' was presented as a right deviation, yet later in the early 1930s another campaign was waged against it as a left deviation!) Nevertheless, Bukharin does not attack Luxemburg's integrity, and his polemic cannot be seen merely as a ploy in a factional fight. Had it been otherwise his work would not have retained its value.

III

Before proceeding it will be necessary to sketch out for the reader unfamiliar with Marxist political economy some of the terms used, and their relation to the questions under dispute.

Marx, in his presentation of the circulation of the total social product in Volume II of *Capital*, assumed a closed economy with only two classes – workers and capitalists – all other classes being excluded because it is assumed that their incomes are derived from

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the revenue of the two basic classes. The total social product is divided into three parts, c , v and s , representing constant capital, variable capital and surplus value.

Constant capital denotes the raw materials and the fixed capital used up in the period considered (usually one year). One of the problems associated with this presentation is that only a part of the fixed capital (i.e. machinery, buildings, etc.) is used up in any particular period. This sometimes leads to confusion because the major part of fixed capital is not included in the scheme – it is put on one side, as it were. This can be overcome by assuming that all fixed capital is used up in the period considered. But this can lead to problems when calculating the rate of profit, since Marx

designates the rate of profit as $\frac{s}{c+v}$; this is in fact the rate of profit on turnover, not on total capital invested. Also, when the *average* rate of profit is computed, the whole of the capital is taken into account. But if, of the constant capital, that portion which derives from fixed capital is regarded as an allocation for depreciation, then this problem need not hinder one's understanding.

Variable capital is used to denote that part of capital which is advanced as wages, i.e. for the purchase of labour-power.

It is important to understand why Marx used these terms. Constant capital is so designated because it maintains its value throughout the cycle of production; by itself it does not create or add any *new* value. The value of the various commodities comprising constant capital is merely transferred at each stage of production to the new commodities, hence its value is considered constant, unchanging. Variable capital, on the other hand, buys a peculiar commodity – labour-power. When this labour-power is set into motion as labour it not only reproduces its own value (i.e. the wages laid out) but creates an *additional* sum of value. Therefore Marx chose the designation 'variable capital'.

This classification is closely related to Marx's labour theory of value which, briefly stated, says that the value of a commodity is determined by the average amount of socially necessary labour required to produce it. To give a numerical example: a capitalist advances for one day's production five units' worth of raw materials and machinery depreciation, etc., say $5c$, and two units' worth of wages, say $2v$. During the course of the day the labourer

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produces commodities to the value of ten units. The surplus value will have been produced – that is ten minus five minus two – say 3s. Surplus value, then, is that part of the total social product that is produced gratuitously by the worker. It is important to understand that each and every commodity contains elements of $c + v + s$; there is no separate portion of commodities which can be considered as surplus value.

Marx further elaborated this formula by dividing the total social production into two main departments. Department I comprises the production of the means of production and Department II the production of the means of consumption. Marx used this in the first instance to illustrate *simple* reproduction, i.e. a situation where society merely reproduces the means of production and means of consumption used up in any one period, without the enlargement of the total social product. This is a highly abstract model, yet it serves to bring into focus several important points. Let us look at the model:

$$\begin{array}{lcl} \text{Dept I} & c + v + s & \\ \text{Dept II} & c + v + s & = \text{total social product} \end{array}$$

Now putting numbers into the scheme:

$$\begin{array}{lcl} \text{Dept I} & 4,000c + 1,000v + 1,000s = 6,000 & \text{total social product} \\ \text{Dept II} & 2,000c + 500v + 500s = 3,000 & = 9,000 \end{array}$$

Now what is the significance of this scheme? What does it tell us? Let us begin by breaking it down into its constituent parts. In Dept I the $1,000v$ and $1,000s$ are produced in their natural form as means of production, but in their value form they represent the wages of the workers and the consumption of the capitalist class. Since only Dept II produces means of consumption this means that Dept I must exchange an equal amount of value with Dept II to obtain its means of consumption. Similarly, in Dept II the commodities in their natural form are means of consumption; this means that in order to continue production Dept II must obtain commodities to replace the $2,000c$ used up in production. In both cases it is clear that there must be a replacement of some of the products of each department by an exchange with the other department. In effect this means that Dept I exchanges $1,000v + 1,000s$ for Dept II's $2,000c$.

What about Dept I's $4,000c$ and Dept II's $500v + 500s$? In both

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cases they are consumed within their respective departments. In the case of Dept I the $4,000c$ is consumed productively, and is reconstituted as constant capital; and in the case of Dept II the $500v + 500s$ is consumed by the workers and capitalists of that department. In both cases it is assumed that exchanges take place within the department concerned.

Therefore we can say that, for equilibrium conditions to obtain under simple reproduction, we must have the following:

$$Iv + Is = IIc$$

At the beginning of each productive cycle 7,500 capital is put into circulation thus:

$$\begin{array}{l} \text{Dept I } 4,000c + 1,000v = 5,000 \\ \text{Dept II } 2,000c + 500v = 2,500 \end{array} = 7,500$$

During the course of the cycle there is a total social product of 9,000, of which 1,500 is surplus value consumed unproductively by the capitalist class without any replacement.

It must be said, of course, that such a situation is highly abstract, since all types of society would normally have some margin to fall back on in case of natural disasters, etc. Yet the usefulness of the scheme is that it brings to the fore the *necessary* conditions for any society to survive. Secondly, and more important for our purpose here, it identifies the specific form of production and appropriation of the surplus (value) under capitalism. Marx further used the scheme to underline the exploitation of the working class. It should be emphasized that this exploitation is not carried on by some trick or sleight of hand, since the assumption is that the workers are paid the full value of their labour-power. Labour-power being a commodity, its value is also determined by the average amount of socially necessary labour required to produce it.*

* In her introduction to the English edition of *The Accumulation of Capital* Mrs Joan Robinson raises objections to Marx's formulation of the question of wages, saying, 'The operation of the capitalist system is presumed to depress the level of wages down to the limit set by the minimum subsistence of the worker and his family. But how large a family? It would be an extraordinary fluke if the average size of family supported by the given wage of a worker were such as to provide for a rate of growth of population exactly adjusted to the rate of accumulation of capital . . .'. *Accumulation*, p. 15.

Three points can be made here. Firstly, Marx's formulation for the level of

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The exploitation consists in the appropriation of the surplus value by the capitalist class, who are considered to be unproductive. But the scheme for simple reproduction is static, whereas Marx's model of capitalism is essentially an expanding dynamic one. To begin to illustrate this, he introduced a scheme for *expanded* reproduction, i.e. of the accumulation of capital.

Using Marx's own scheme we have at the beginning of year one:

$$\begin{array}{l} \text{Dept I } 5,000c + 1,000v \\ \text{Dept II } 1,430c + 285v = 7,715 \text{ capital invested.} \end{array}$$

During the course of the productive cycle surplus value is produced which gives us:

$$\begin{array}{l} \text{Dept I } 5,000c + 1,000v + 1,000s \\ \text{Dept II } 1,430c + 285v + 285s = \text{total social product } 9,000. \end{array}$$

Several points should be made here. First, Marx assumes a constant rate of surplus value of 100 per cent. Second, while Dept I always capitalizes 50 per cent of its surplus value, this is not the case with Dept II. In the first cycle of accumulation Dept II capitalizes more than 50 per cent of the surplus value, but 50 per cent in each cycle thereafter. It should also be noted that the ratio of variable to constant capital is maintained at 1 : 5, which assumes there is no technical change in production methods.

At the end of the first round of accumulation the following

wages does *not* state that they will be depressed to a minimum subsistence level. Marx specifically states that the level of wages will vary from country to country and from time to time, because historical and moral elements enter into the calculation and determination of the general level of wages. Secondly, Mrs Robinson may consider it a 'fluke' that the average wage should be sufficient to support the average family, but it is an empirical fact. In no normal wage settlements are there provisions for taking into account the varying needs of different families. Wage settlements are not based upon such assumptions, they are based upon the value of the labour-power being offered. Along with this is Mrs Robinson's failure to connect Marx's theory of wages with his theory of the reserve army of labour (i.e. the unemployed) as being the specific form of capitalist population growth (this has nothing to do with absolute growth of the population). The most vicious form of this is to be found today in such countries as Western Germany and Switzerland, who import labour from poor countries and send it back home when it is not required. This practice quite clearly demonstrates the reality of labour-power as being a *commodity*.

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obtains: total capital has increased by 584 to 8,399, total social product has increased by 798 to 9,798.*

It should be emphasized that one should not seek to place too great a weight on these schemes, since they are meant to illustrate a theoretical model. Once certain assumptions are modified, then a different picture begins to emerge. Marx was quite well aware of this situation. Nevertheless, the model does elucidate the point that certain proportions are necessary for accumulation to take place. But the proportions necessary are unique to each cycle, indicating that equilibrium is a situation which changes through time.

IV

Luxemburg, in her discussion of Marx's reproduction scheme, brings forward a number of criticisms, which can be summed up as follows. Once one begins to remove some of the restrictive assumptions and look at capitalism as it actually operates, defects in the scheme begin to emerge, the most serious of these being that Marx assumed no technical change in his schemes. Once this is introduced (i.e. an increase in the organic composition of capital which implies an increase in the value of the constant capital as compared with the variable), then there begins to emerge a surplus of production in Dept II which cannot be absorbed within the closed system postulated. This means that for the capitalist class to realize the whole of their surplus value they have to seek markets outside the two-class system. This means, in effect, that accumulation can only take place on the basis of capitalist expansion into a *third* market, i.e. petty commodity production, feudal production, etc. The more such economies become bound up in market relationships with capitalism the more quickly they are destroyed as independent entities and are absorbed into the capitalist system. However, this 'third' market does not necessarily imply *foreign* or overseas markets since they can often be found in the same country until quite late in the development of capitalist economy. Luxemburg says that capitalism could not survive without this 'third' market. Without it, the system would collapse because of a lack of effective demand through which to

* For a detailed exposition and discussion of schemes of reproduction see Appendixes I and II.

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realize the whole of the surplus value, which is a condition for the continued accumulation of capital. This is the basis for imperialism, the need and the drive for new markets and outlets.

Bukharin takes up a series of points, both from the original *Accumulation* and *Anti-Critique*, seeking to show that Luxemburg was at fault in a number of her *own* assumptions. Apart from the technical exposition of expanded reproduction, perhaps the most telling point he makes against her is on the question of the economic premise for imperialism. Bukharin contrasts the great military and economic apparatus erected by imperialism through which it draws super-profits with Luxemburg's premise that all this effort is merely to realize surplus value (presumably at the normal rate). Bukharin asks if it would not be safer, and less of an effort, to exploit those third markets at home before embarking upon risky ventures overseas. The other points of interest that Bukharin makes take him beyond the original discussion and on to a theoretical exposition of a single world capitalist corporation which does away with the anarchy of the market – maintaining proportionality between production of the means of production and production of the means of consumption – thus enabling accumulation to take place at an orderly, if not rapid, rate. Without doubt Bukharin was by far the most sophisticated critic of Luxemburg. Whilst being unrelenting in the pursuit of his debating points he still treated Luxemburg as an honest and intelligent opponent.

V

A relatively small number of Marxists in the English-speaking world have attempted to discuss Rosa Luxemburg's ideas on accumulation, but none of them at any great length; Bukharin's treatment is probably the most extensive available. Whilst many people acknowledge Luxemburg's abilities as an economist, and even more so as a revolutionary fighter, such remarks as are made tend to be of such a general nature as to be anodyne. Yet at the same time her name crops up in numerous books, even if only in the footnotes. Bukharin is given even shorter shrift by the non-Stalinist Marxists, and little of any consequence has been written by them.

Of the few writers who have discussed Luxemburg's ideas I

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shall only mention the most prominent, since they will be the most (relatively) widely read. Most other critics are derivative of these.

Paul M. Sweezy* sees Luxemburg as belonging to the under-consumptionist school of thought on the question of capitalist crisis. He maintains that Luxemburg's position is confused, and that this partially arises because she implicitly maintains the assumptions of simple reproduction in her discussion of extended reproduction. This being the case, he argues, she cannot see that the extra workers who are employed by an extension of constant capital could be an extra market for Dept II. Moreover, he posits, if the capitalists have to exchange with the 'third' market to realize surplus value, then this only defers the problem, for the exchange can only be for goods.

'It is not possible to sell to non-capitalist consumers without also buying from them. So far as the capitalist circulation process is concerned, the surplus value cannot be disposed of in this way; it can at best change its form.'[†] He takes the argument further by stating that, if the problem were really as Luxemburg states, then it would not be a question of the approaching breakdown of capitalism 'but of the impossibility of capitalism'.[‡] Bukharin makes the same point, as the reader will see. However, it seems that, whilst the arguments of both writers about the *necessity* or otherwise of a 'third' market have some validity, they both fall into another error. By implication they seem to be unconsciously accepting Say's Law, which postulates that every sale is also a purchase and therefore that there will be general equilibrium. Marx was at some pains in all his writings on this question to point out that, under the capitalist commodity system, sales and purchases are *not* identical. Under petty commodity production, the formula for circulation can be said to be $C-M-C$. Normally such producers sell their commodities C , so that they may purchase other commodities; what they are primarily interested in are use values, and exchange values are the means to that end. Therefore the sequence is sale of commodity, money, purchase of commodity, $C-M-C$. With the capitalist the process is different: he starts with money and buys commodities which he attempts to

* Paul M. Sweezy, *Theory of Capitalist Development*.

[†] *ibid.*, p. 205.

[‡] *loc. cit.*

sell for a profit. Therefore the formula in this case will be $M-C-M'$.^{*} The point at issue here is that, once the capitalist has bought commodities with his money, he has no guarantee that he can sell them; and even if he does, there is of necessity a time lag between the two acts. Moreover, those whom he bought from are not necessarily the same people as those he sells to. Therefore, each act of selling and buying is *independent*. Now, whilst it may be true that those capitalists who export to the 'third' market are not identical with those who import, in sum they will balance each other out; hence sales to the 'third' market will have to be equal to purchases. But, as Ernest Mandel points out,[†] exchanges with non-capitalist markets need not imply exchanges of commodities; they can be exchanges for non-capitalist monetary incomes. So the argument is untenable.

Mandel himself takes another path in his argument against Luxemburg. He maintains that her 'mistake lies in treating the world capitalist class as a whole, i.e. in *leaving out competition*'. He points out that competition 'determines the whole dynamic, all the laws of development, of capitalism'.[‡] Mandel further elaborates his argument by reference to the uneven development within capitalism at all levels, national, international and even within industries, going on to say that 'This is what explains how expanded reproduction can go on even without any non-capitalist setting, how under these conditions the realization of surplus value takes place through a market accentuation of the *concentration of capital*. In practice, exchanges with non-capitalist surroundings are only one aspect of the uneven development of capitalism.'[§] The essence of the point that Mandel makes is that competition implies exchange between capitalists and realization thereby takes place. This explanation seems somewhat ambiguous, since it appears to flow from the Marxist definition of the average rate of profit, whereby values are transformed into prices and

^{*} The formula in fact should be stated thus: $M-C \left\{ \begin{smallmatrix} L \\ mp \end{smallmatrix} -P-C'-M' \right.$, where M = money capital, C = commodity capital which is made up of labour and means of production, P = production process, C' = enlarged commodity capital and M' = enlarged money capital.

[†] E. Mandel, *Marxist Economic Theory*, p. 362.

[‡] *ibid.*, p. 363.

[§] *loc. cit.*

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profits.* Looked at from Luxemburg's point of view, Mandel is advancing as proof the very point that needs to be proved. Moreover, Mandel's last remark, which seems to have been thrown in rather casually, partially admits the point that Luxemburg is making. He does not elaborate on this and thus one is left wondering just how important exchanges with non-capitalist surroundings are for him. To this extent he seems to be sweeping Luxemburg's main argument under the carpet, because his answer is only an oblique one regarding exchanges with non-capitalist surroundings. Luxemburg argued that these exchanges were *vital* for capitalism, but Mandel reduces them to 'one aspect', leaving their importance unclear. This is rather akin to agreeing that a motor car has a number of important components, without specifying which are the vital ones and which merely make it more comfortable or luxurious.

Another answer to the problem is advanced by Maurice Dobb, which in reality is little or no answer. He poses the question – how can accumulation take place within a closed capitalist economy? – and answers it thus:

Marx reserved his answer to this riddle until the very end of Volume 2; where the answer he gave was that the capitalists of Department 2 sell their products *against gold* to the gold producers (who are implicitly included in Department 1). The point of this answer is not I think that money . . . comes into the system, but the fact that an exchange with gold producers represents a one-sided exchange of goods against money, and not of goods against goods.†

This appears to be a variation of the answer that Mandel gives, but in fact confuses two aspects of gold production. In so far as gold is not used for money, it is a commodity like any other that enters the market, and any exchange for it must be regarded as an exchange of goods. For what is gold when it is not used as money? It is a good used for numerous purposes *in production*, e.g. jewellery, gold tooth fillings, industrial purposes, etc. Moreover, since the gold that is used for money can only be a fraction of the total gold production, and an even smaller fraction of the total social product, it cannot wholly explain realization. To accept that gold is *the* means of realization leads – as Luxemburg points

* See *Capital*, Vol. III, pt 2.

† M. Dobb, *On Economic Theory and Socialism*, p. 269.

out – to a situation where one would need to have larger and larger amounts of gold produced as total production increased. This is manifestly absurd, as Bukharin shows. Gold used as money is merely one moment in the cycle of capital, and since all commodities do not exchange simultaneously it represents a tiny fraction of the actual surplus value realized. Dobb attempts to put far too great a weight on a very short passage from the end of Volume II of *Capital*. The passage itself is somewhat ambiguous, and it is also in that part which Marx had worked out least of all. To rely on this short passage is to make Marx appear like some theatrical conjurer who pulls a rabbit out of the hat at the end of his performance – the very thing that Luxemburg accuses him of.

Dobb also quite wrongly talks about Luxemburg's use of foreign trade to bring about realization, yet she makes the point very clear, in numerous passages, that this 'foreign trade' is not what is normally considered by foreign trade but trade with *non-capitalist* forms of production, and is not necessarily external trade. Dobb therefore seems to have confused the point at issue in this particular section.

A more sympathetic account and criticism is given by Tom Kemp who, quite correctly, points out that most critics have tended to dismiss Luxemburg's position as being based upon misunderstanding. He says, 'The critique of Luxemburg's position must be based on an honest recognition that she was trying to grapple with a real and not an imagined problem.'^{*} Unfortunately, he does not himself grapple with the problem, but merely admits its existence. He denies that expansion into non-capitalist markets is the only means of realizing surplus value, but admits that it is a necessary one. Again one is left with an unresolved question. If exchanges with non-capitalist markets are not the only means of realizing surplus value, this means that capitalism has a choice of alternatives; yet we are told the case for further accumulation in a 'third' market is a *necessary* one. Now, either there is a choice or one is faced by necessity, the latter excluding the former. Perhaps there will be an objection that the necessity arises from the need to realize surplus value *per se*, and that exchanges with non-capitalist forms of production have been a historical part of the development of capitalism. But then we are faced with a con-

^{*} Tom Kemp, *Theories of Imperialism*, p. 55.

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fusion between the strictly theoretical question as posed in Marx's reproduction schemes and an historical analysis. Kemp has, unwittingly, fallen between two stools in his desire to defend Luxemburg's claim to a fair hearing.

Kemp is one of the few who have examined Luxemburg's theory that expenditure on arms was one of the means of overcoming the problem of realization.* While pointing out that Luxemburg was an innovator in this field, he comments: 'Bounded as she was by the idea of a balanced state budget, therefore, Rosa Luxemburg was unable to depict the possibility of arms spending as a means of realizing surplus value and furthering accumulation on the modern scale.† This seems to be somewhat ungenerous, since Luxemburg lived in a different epoch and was therefore limited not by a lack of foresight but by a lack of concrete experience. This in no way detracts from the genuine flash of perception that placed her far ahead of any of her contemporaries in this matter. Moreover, Kemp's reference to a balanced budget and his counter-posing of deficit financing (i.e. a piling up of debts via credit), misses the crucial point that, given a balanced state budget, it would be possible to stave off for a considerable period a crisis induced by a collapse of the credit 'bubble' implicitly inherent in deficit financing. Even a balanced budget can have real stimulating effects upon the economy (as opposed to inflationary ones) given that there are real unused resources available (i.e. the multiplier will still work because of certain rigidities in the marginal propensity to consume and save). It is certainly true that, with deficit financing, a much greater effect can be achieved, but Luxemburg's scheme has the 'virtue' of accounting for arms expenditure even with an economy fully utilized, because it allows for transfers of value from the working class to the state and hence releases production for other uses.

One methodological error that Kemp failed to notice in his discussion of this question is that Luxemburg, whilst using Marx's scheme of expanded reproduction for an illustration of arms expenditure, brings in revenue raised in the non-capitalist sector at a later stage. This would not be permissible given the assumptions laid down for the scheme. Neither does she show how this extra revenue would fit into the scheme, which leaves it untidy and

* See *Accumulation*, Chapter 32.

† Kemp, *op. cit.*, p. 58.

unaccounted for, because it would represent extra demand for which there was no supply.

One further friendly critic remains to be mentioned; this is Tony Cliff. In his booklet, *Rosa Luxemburg*, he devotes a chapter to her theory of accumulation, dealing exclusively with her original work. Unfortunately, in so doing he completely confuses her presentation of the question. Cliff reproduces Marx's *first* scheme of expanded reproduction along with Rosa's comments on it. These quite correctly point out that in his first attempt Marx produced some odd results, in that while the capitalists of Dept I accumulate 50 per cent of their surplus value in each period, the capitalists of Dept II accumulate their surplus value in a very erratic manner. Cliff then goes on to say:

... if any logical rules were laid down for the relations of accumulation in Department I, these rules could have been gained at the cost of any kind of principle in constructing these relations for Department II or otherwise, if the same logical rules were applied . . . [for] accumulation in Department II as those applied in Department I, a disequilibrium in the form of over production in Department II would appear and grow progressively.*

Anyone reading this passage would assume that Luxemburg's criticism of Marx hinged upon his first scheme of expanded reproduction, but Luxemburg knew full well that Marx discarded it, and went on to the second scheme. Her comments on the first scheme are in fact designed to show why she thinks that Marx discarded it. In his second scheme accumulation of surplus value takes place at an even rate in both departments (after the first round), and Luxemburg *accepts* this as being correct, given the assumptions on which it is built. Cliff, in effect, makes nonsense of Luxemburg's position by implying that she argued that the first scheme of expanded reproduction gave rise to disequilibrium between the two departments. Nor did she say this about the second scheme.

Cliff mentions modifications to the scheme – a rising rate of exploitation (i.e. of surplus value), a rise in the rate of accumulation and a rise in the organic composition of capital – and continues: 'If these were taken into account, Rosa Luxemburg's contention that under pure capitalism economic disequilibrium

* T. Cliff, *Rosa Luxemburg*, p. 80.

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would be an absolute, unavoidable, permanent phenomenon, would be greatly strengthened.* But Luxemburg *did* take these factors into account:

If, instead of the unchanging proportion of 5 : 1 between constant and variable capital . . . we assume for instance that this increase of capital is accompanied by a progressive readjustment of its composition, the proportion between constant and variable in the second year being 6 to 1, in the third year 7 to 1 . . . if we further assume that the rate of surplus value also increases progressively in accordance with the higher productivity of labour so that, in each case, we have amounts as those in the diagram [the second one], although because of the relatively decreasing variable capital, the rate of surplus value does not remain at the original 100 per cent . . . †

Nothing could be plainer. Only *after* taking these factors into account does Luxemburg come to the conclusion that a surplus would emerge in Dept II. No one who wanted to get to the heart of Luxemburg's ideas would be able to do so on the basis of such a presentation.

VI

It becomes clear that a number of questions are involved in the dispute around Luxemburg's ideas, the most important of which is markets. Most of the other questions raised flow from this basic issue. The objection is sometimes raised that the question of markets is not fundamental to Marxist political economy, the basic question being one of production. The short answer to this is that they are merely reverse sides of the same coin.

Let us examine this basic question and start by returning to Marx's schemes of extended reproduction. We have indicated some of the important points that arise out of them, but some elaboration is still necessary. We have to remind ourselves that these schemes indicate how surplus value is realized, and lay down the necessary conditions for this, in an *ideal and theoretically abstract* capitalist society without competition. Therefore they should be handled with care and no attempt should be made to fit them *directly* on to a particular manifestation of capitalism. This is not to say that they have no relation to reality; on the contrary, they explain the working of the system in its purest form

* *ibid.*, p. 81.

† Luxemburg, *op. cit.*, pp. 336-7.

without any of the countervailing tendencies and distortions that real life introduces. For instance, no one denies that capitalism has *always* existed side by side, and has relations, with non-capitalist forms and modes of production, but Marx obviously did not consider them to be a *necessary* relationship in explaining the laws of motion of capitalism, and hence excludes them. In Volume II of *Capital* Marx appears to spend a considerable amount of time in examining the process of simple reproduction and the errors of Adam Smith, Marx claiming that Smith had spirited away constant value leaving only $v + s$ as the sum of social production (wages, profit and rent). Had this been the case, the constant portion of capital would have dissolved itself into $v + s$ and the working class need not struggle against the appropriation of its unpaid labour but merely wait for the product of its labour to dissolve itself into wages. Marx, on the contrary, shows that far from the constant capital dissolving itself in this manner, it becomes the instrument through which the capitalist dominates living labour. This is what Marx terms the mastery of dead labour over living labour. Marx further used his schemes of reproduction, and in particular that of extended reproduction, to answer the under-consumptionist theory, which argued that, because of the lack of effective demand, it was impossible to realize all the surplus value. Marx's schemes of reproduction demonstrate that, under the capitalist mode of production, consumption and production are only *indirectly* connected, i.e. there is no immediate connexion between the production of steel and consumption for personal use. This is of crucial importance in understanding that, under capitalism, the production of the means of production expands at a faster rate than that of the production of the means of consumption, and that only in the last analysis does consumption follow production. This means that the problem of the market is largely 'solved' by capitalism itself, in so far as capitalist production provides its own best market.

Another aspect of the reproduction schemes which should be mentioned is the use of the two departments to divide social production. Various writers have constructed schemes using three (sometimes four) departments when discussing the transformation of value calculations into prices. Luxemburg also includes a third department in her discussion in the *Accumulation*, into which she

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puts gold production, claiming this was legitimized by Marx. But, in fact, Marx was very careful only to use two departments of social production, and he quite specifically made gold production a *sub*-department of Dept I. This may seem to be merely a quibble, but in fact it is of significance. Marx used the two departments, and two only, because he wanted to lay bare the innermost workings of the system: to create further departments means moving away from the level of abstraction that he was working at, and thus one can end up in confusion. Moreover, the two-department scheme of reproduction is not merely a technical exposition, but was meant by Marx to depict the specific weight of the two main classes in society, i.e. capitalists and workers. Marx was demonstrating a class relationship.

Luxemburg argues that there is a contradiction between the schemes of expanded reproduction in Volume II of *Capital* and the ideas advanced in Volume III, on the contradictions of capitalism. Moreover, taking the schemes in a most literal manner she assumes that accumulation is an act, or an instant, rather than a process which unfolds through time. She also fails to see that the schemes are in fact only an *ex post facto* presentation of what has occurred. On such points we see the confusion between theoretical abstraction and reality that continually creeps into Luxemburg's exposition. One can only assume a contradiction between these two volumes of *Capital* if one treats them on equal terms as being depictions of the capitalist system as it actually works. Luxemburg gets very annoyed with those of her critics who point this out to her, yet she undoubtedly makes this error. Furthermore, it becomes obvious that she never quite cleared up in her own mind whether capitalism could not realize *any* surplus value without the 'third' market, or if it could only realize a *part* of it.

Perhaps the most fundamental criticism of Luxemburg that can be advanced is that, if the non-capitalist markets are *necessary* for capitalism (not merely to function but to survive), this means that she has altered the whole basis upon which Marx built his analysis of the capitalist system. By making the 'third' market such a vital element in the process Luxemburg has changed the basis of capitalist accumulation from something derived from surplus labour into a process which draws its main sustenance from an outside source. In other words, she has made the exploita-

tion of the 'third' market the driving force of capitalism, not the exploitation of wage labour. Given this premise it means that the wage labourers of the advanced capitalist countries are no longer exploited but are joint exploiters with the capitalist class! It follows from this that the necessity of a proletarian revolution is no longer a valid proposition in the advanced capitalist countries. Capitalism will either collapse through an assault from the 'third' world, or it will collapse when this market is removed, because of the inability to realize surplus value.* In either case it means that the working classes of the advanced capitalist countries have a purely passive role, at best, in the downfall of capitalism; or they will join with their respective capitalist classes to beat back the revolt of the 'third' world.

At another level, the logic of Luxemburg's theory of realization could be interpreted to mean that surplus value is not extracted from the working class, but that the capitalists extract profits by trading with the 'third' market in much the same way as merchant capital was able to do under conditions of an imperfectly organized world market, i.e. by an *unequal* exchange of values.† It would be as though capitalism could not escape from the period of primitive accumulation. In this sense, Luxemburg's ideas seem to take us back to the eighteenth century and the Physiocrats, with only the agricultural classes being considered 'productive'. This cuts right across Marx's main assumption in analysing 'pure' capitalism, i.e. that all commodities exchange at their value. Bukharin, on the other hand, overreaches himself in his attempt to show that realization is possible within a closed capitalist economy when he introduces the idea of a single world trust of capitalists. While he does not say this is a probability, he does maintain that it is a theoretical possibility. But if such a society were to exist it would no longer be capitalism, it would not be a commodity-producing economy (as defined by Marx), it would have no competition and it would have no exchange in the capitalist sense.

* For an examination of an attempt to demonstrate this idea, see Appendix III.

† I am well aware that there is an unequal exchange of labour time on the world market, especially between the advanced capitalist countries and the underdeveloped countries, but this does not necessarily imply an unequal exchange of *value*.

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To this extent he has committed the same error that he accuses Luxemburg of, that of taking certain lines of thought to a 'logical' conclusion at which they are really illogical.

In her continuous search for 'motives' that drive the capitalists forward to accumulate, Luxemburg gets bogged down in a desperate search for markets. In so doing she misses one of the vital elements that Marx incorporated in his assumption of a closed capitalist society, namely that if one assumes that all surplus value is realized (i.e. that all goods are sold), then the search for markets can only become explicable in terms of the search for greater profits. In turn, this search for greater profits hinges upon the law of tendency of the decline in the rate of profit, to which Marx attributes the real cause of crises, *not* a lack of effective demand. But of course this was not dealt with in Volume II, only in Volume III of *Capital*. One is compelled to ask why Luxemburg so doggedly sticks to Volume II, except where she looks for contradictions, instead of taking the whole corpus of Marx's writings?

VII

The question of imperialism arises from this discussion. Luxemburg maintains that her theory of the necessity of the 'third' market is the explanation for imperialism. But, as she demonstrates herself, capitalist expansion into non-capitalist markets is a process that has gone on continuously since the advent of the system. To argue that the rush for colonies and the subsequent wars for the re-division of the world markets by the great powers are only a continuation of previous tendencies, without seeing any change in the system, is to mis-read the situation. In reality, Luxemburg's works offer very little *theory* to explain the specific capitalist form of imperialism, despite the wealth of descriptive material in her first work.

Bukharin sees Luxemburg's ideas on imperialism as leading her, unwittingly, into the camp of those who believe in an harmonious development of capitalism. He points to her definition of the phenomenon: 'Imperialism is the political expression of the accumulation of capital in its competitive struggle for what remains still open of the non-capitalist environment.' Bukharin argues that her theory of imperialism has a large voluntaristic

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element in it which in some ways puts her in the same camp as Hobson.

The term 'imperialism' came into common usage around the turn of this century, but it is not our purpose here to go into all the byways that have led on from this. However, we would contend that the first person to use the term in a *specific* sense – as against a generalized use to cover colonialism – was J. A. Hobson, an English liberal, when he wrote his book *Imperialism – A Study* in 1902. This pre-dates any thorough Marxist discussion of the subject, and indeed most Marxist writers have acknowledged his pioneering work.

Hobson's great merit was that he gave a material explanation for imperialism, rather than a vulgar jingoistic or militaristic one. He declared the taproots of imperialism to be:

If the consuming public in this country raised its standards of consumption to keep pace with every rise of productive powers, there could be no excess of goods or capital clamorous to use Imperialism in order to find markets: foreign trade would indeed exist, but there would be no difficulty in exchanging a small surplus of our manufactures for the food and raw material we annually absorb, and all the savings that we made could find employment, if we chose, in home industries.*

Quite perceptively, Hobson argued that one of the causes of this pressure of 'surplus' capital was the concentration of capital into cartels and monopolies; in this respect he was not only ahead of Luxemburg in time but also in his understanding of the problem. Luxemburg makes only one short reference to the question of monopolies in *Accumulation*, and obviously does not connect them in an organic manner with the development of imperialism.

After making some acute comments on the tendency towards monopolization, Hobson concludes: 'Thus we reach the conclusion that Imperialism is the endeavour of the great controllers of industry to broaden the channels for the flow of their surplus wealth by seeking foreign markets and foreign investments to take off the goods and capital they cannot sell or use at home.'† Being a follower of the 'under-consumption' school, Hobson

* J. A. Hobson, *Imperialism*, p. 81. (It is interesting to note the continued reprinting of Hobson's work, which indicates its seminal importance.)

† *ibid.*, p. 85.

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argued that a redistribution of consuming power in favour of the working class was required to obtain an abatement of imperialism. However, one major defect is that he saw imperialism as a *policy* which favoured only a small section of the capitalist class. This being the case, such a policy could be changed without necessarily changing the economic basis of society, which would mean that there was no need to alter the fundamental class relationships within that society. In this respect Luxemburg was closer to reality when she emphasized imperialism as a necessity.

It was Hilferding, and subsequently Lenin, who highlighted the *changes* in the *structure* of capitalism which were the forces behind imperialism. Hilferding's work, *Das Finanzkapital*, can be called the first specifically Marxist attempt to analyse this phenomenon, even though a vigorous discussion on the question of capitalist crisis had been going on since the turn of the century. This discussion had been instigated by Bernstein – the original 'revisionist' – and Parvus, Kautsky and Luxemburg had taken a prominent part in it. Hilferding's work was original in that it picked out the role of the banks in fostering the development of monopolies and the aggressive policies they pursued to protect and extend their particular interests. The particular aspect that he emphasized was the domination of the industrial monopolies by the banks, and he drew heavily on German, French and American experience for his theses. But this can now be seen as a phase of development, because since the Second World War we have witnessed the emergence of the self-financing corporation on a large scale in all the advanced capitalist countries.

Lenin drew heavily upon the works of those who had preceded him on the question of imperialism. Unlike Luxemburg, he was quite clear and specific about the nature of imperialism; he said that it 'emerged as a development and direct continuation of the fundamental properties of capitalism in general. But capitalism became capitalist imperialism only at a definite, very high stage of its development.'^{*} Examining Lenin's theory of imperialism, we can see that there is a marked divergence between his approach and Luxemburg's. Although writing primarily to explain the war of 1914–18, Lenin understood that despite the apparent continuity within the capitalist system there had also been changes

^{*} V. I. Lenin, *Imperialism – The Highest Stage of Capitalism*, p. 80.

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of a qualitative nature. Luxemburg, on the other hand, merely sees the threads of continuity. Lenin brought forward five basic features of imperialism:

1. The concentration of production and capital, developed to such a high stage that it has created monopolies which play a decisive role in economic life.

2. The merging of bank capital with industrial capital and the creation, on the basis of this 'finance capital', of a financial oligarchy.

3. The export of capital, as distinguished from the export of commodities, becomes of particularly great importance.

4. International monopoly combines of capitalists are formed which divide up the world.

5. The territorial division of the world by the greatest capitalist powers is completed.*

We can see from the above that Lenin combined much of what had gone before into a new synthesis explaining imperialism.

We have noted that the second point of Lenin's summary has to a large extent been nullified since the Second World War, if ever it *was* a general phenomenon; but at the same time it would be incorrect to assume that banks *per se* have no major role today. The reverse is true: rather than a dominance of monopolies by the banks we have witnessed an integration of the two sides. Point 5 may seem to have been completely changed since Lenin wrote his book, for we have seen the dismantling of most of the old colonial empires and their replacement by 'self-governing' states. But any examination of the economies of these states will soon disclose their subservient position in relation to the advanced capitalist countries.

The creation and extension of monopolies (or as some prefer, oligopolies) has been greatly accelerated since the end of the Second World War. This development has been extensively

* V. I. Lenin, *Imperialism – The Highest Stage of Capitalism*, p. 81. It has been the established practice on the part of many Marxists to interpret Lenin's book, because of its title, as a description of the last stage of capitalism. However, in the original draft for the book it was tentatively entitled 'Principle Features of Modern (Recent Stage of) Capitalism'. See Vol. 39, *Collected Works*, p. 230. It is clear from this that Lenin did not intend his book to be taken as the last word on the subject, nor the phase of development that he outlined as being the last one for capitalism.

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documented by Marxist and non-Marxist writers. However, one item will perhaps indicate how far this tendency has gone. In *The Times* of 19 August 1968 we read:

The hard financial core of capitalism in the free world is composed of not more than 60 firms, partnerships, and corporations, owned or controlled by some 1000 men. These men head investment-banking houses in New York City, merchant-banking ventures in London, *banques d'affaires* in Paris, and similar institutions in Belgium, the Netherlands, Italy, Germany, Sweden and Australia. Among them they raise, directly and indirectly, an estimated 75 per cent of the £17,000 m. in fresh capital needed each year to fuel the long term growth of the industrial nations.

Therefore, it would be true to say that some of the defining features of imperialism outlined by Lenin have become accentuated in the fifty or so years since he posited them.

Lenin grasped two significant ideas in his exposition on imperialism, namely the growth of monopoly and the attendant changes it wrought in the capitalist economy; and secondly the need to export *capital*, as distinct from commodities. In both respects Luxemburg failed to make the connexion between them and imperialism. From this we can see the striking differences between Lenin's and Luxemburg's theories of imperialism.

A fresh point of view has been introduced and developed by Paul A. Baran and Paul M. Sweezy. Contrary to Luxemburg, they have argued that the main problem for modern capitalism is not the question of the realization of surplus value but rather that of the disposal of the 'economic surplus'. The 'surplus' is defined as being 'The difference between what a society produces and the costs of producing it'.* Baran had earlier introduced the concept of the 'surplus' in his work *The Political Economy of Growth* where he says:

The root of the trouble is that . . . economists spellbound by the surface appearances of the capitalist economy, *insist on identifying the economic surplus with statistically observable profits*. . . . The crux of the matter is, however, that profits are *not* identical with the economic surplus, but constitute . . . merely the visible part of the iceberg with the rest hidden from the naked eye. . . . For monopoly capitalism generates not only profits, rent and interest as elements of the economic surplus,

* Paul A. Baran and Paul M. Sweezy, *Monopoly Capital*, p. 9.

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but conceals an important share of surplus under the rubric of costs. This is due to the ever-widening gap between productivity of the *necessary productive workers* and the share of the national income accruing to them as wages.*

Baran elaborates this thesis by pointing out how much of the activity associated with modern monopolies is wasteful from a rational point of view, e.g. advertising. In their joint work, Baran and Sweezy developed this theory by attempting to show that, far from the rate of profit declining (which is taken to be one of the basic tenets of Marxist theory applied to a competitive situation), the modern monopolies are facing a *rising* economic surplus, which generates the problem of surplus disposal or, as they term it, 'absorption'.

However, because of their loose definition of the economic surplus, they seem to have become somewhat confused in their analysis, e.g. they estimate that in the period 1956-60 the cost of model changes in the U.S. auto industry - which in themselves introduced no new technical changes nor added any new utility - was 25 per cent of the sales price. This does indeed indicate the irrationality of monopoly capitalism from a socialist point of view, because of the loss of *real* wealth to society involved in such methods. But when one considers the needs of the monopolists who have to struggle to keep and perhaps extend their share of the market, such costs are not irrational. Such costs are *necessary*, given the mode of production. Looked at from this point of view, it can be seen that much of this unproductive expenditure is included in the average amount of *socially necessary* labour embodied in particular commodities. Baran and Sweezy forgot that what is socially necessary is also *socially determined*, and is not an autonomous technical factor. Given their particular interpretation of the 'surplus', they also seem to have become confused in their treatment of imperialism, and in particular the question of the export of capital. Taking a particular example, that of the Standard Oil Company of New Jersey, they say that 'While two thirds of Jersey's assets are located in North America, only one third of its profits came from that region. Or to put the point differently, Jersey's foreign investments were half as large as its domestic investments, but its foreign profits were twice as large

* Paul A. Baran, *The Political Economy of Growth*, pp. xix-xx.

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as its domestic profits. The indicated profit rate is thus four times the domestic rate.* Going on to analyse the make up and distribution of profits for the year 1962, they concluded that '... approximately 40 per cent of dividends paid to the stockholders plus whatever net investment was made in the United States were financed from the profits of foreign operations. In other words, Standard Oil of New Jersey is a very large and consistent *importer* of capital.† Thus they seem to argue that the question of surplus capital, as posited by Hobson and Lenin, is not an issue. But there seems to be some confusion here. Firstly, as we have seen from Baran's earlier work, they argue that much of what passes for costs is very often hidden profit (or surplus), so that the *book* figures can at best be only a rough guide to the true position. Secondly, and perhaps more crucially, there is a confusion between revenue (income) and capital. The profits remitted from overseas can be treated – in so far as they are distributed as dividends – as revenue, and therefore cannot be synonymous with *capital*, which is value put into circulation to gather an increment of surplus value. Moreover, there is no attempt to assess what effect there would be upon the domestic rate of profit if the capital invested overseas were diverted and invested domestically. Surplus capital in this sense does not mean an absolute surplus, but a point at which further investment would tend to push down the domestic rate of profit.

In a later article Sweezy (and Harry Magdoff)‡ reply to certain critics of this position. The argument there is that the problem of the disposal of the 'economic surplus' is not related to the question of the realization of surplus value. Specifically, they argue that overseas investment is both a source *and* use of the economic surplus! Thus they arrive at the odd position where an attempt to dispose of the economic surplus leads to the acquisition of further surplus. The main drive for overseas investment by modern imperialism, they argue, is the need to acquire and control sources of raw materials, although lower costs of production are also admitted to be a subsidiary factor. Despite the wealth of statistical material deployed by Sweezy (and Magdoff)§ it would

* *Monopoly Capital*, p. 194.

† *ibid.*, pp. 195–6.

‡ *Monthly Review*, November 1970.

§ For Magdoff's work, see *The Age of Imperialism*.

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seem that – because of the confusion generated by their use of the concept of ‘economic surplus’ – they only succeed in getting themselves into a tangle on the question of imperialism.

Despite the confusion engendered by the Sweezy–Baran school, the work produced by it is of particular significance in relation to Luxemburg. They not only disagree with her conclusions, but also on the very questions that have to be posed. This has meant a significant shift in emphasis, and in methodology. Luxemburg was continually seeking to understand how the struggles of the workers, and of revolutionary Marxists, could be related to the phenomenon that she was discussing. In *Monopoly Capital*, in particular, labour as an economic category and the working class as a political force hardly rate a mention, and this is not accidental. These omissions flow from the methods used in the analysis, and as such separate them sharply from the tradition within which Luxemburg worked.

In *Marxist Economic Theory*, Ernest Mandel deals with imperialism both historically and with its current expression (allowing for the fact that the book was completed at the end of the 1950s). In the main themes expounded it has no novelties to introduce; it is a work that closely follows Lenin’s thesis, save that he modifies Lenin’s view that monopolies tend to slow down the rate of technical advance. This point of Lenin’s has to a considerable extent been nullified by the rapid rate of technological innovation in existing industries, and by the creation of a number of new ones – e.g. electronics – since 1945. The monopolists have been forced by international competition to speed up this technical innovation and also to create new outlets for surplus capital. In fact, one of the main features of the post-1945 scientific and technological revolution is that it has led to a much greater capital intensity, and undoubtedly a rise in the organic composition of capital in value terms.

With this rising organic composition of capital, the problem of the tendency of the rate of profit to decline has once more been brought to the fore.* Mandel’s main point regarding the export

* In connexion with this point, it is useful to compare Baran and Sweezy’s theory of rising economic surplus with the work of Joseph Gilman, *The Falling Rate of Profit* (Dobson, London, 1957). This work examines the problem over an extended period and, while using much the same approach as Baran and

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of capital is that it hinges today on the export of capital *goods* to underdeveloped countries, which have tended to replace the older type of exports. This has arisen because of the development in the colonial and ex-colonial countries of certain consumer goods industries, which have tended to displace such goods produced in the metropolitan countries. One particular example of this trend has been the absolute decline of the British cotton industry. But this in itself does not mean that there has been a total loss for the imperialist powers, since they very often draw income from such industries overseas by participating in them, or by way of royalties and patent rights.

We can see the sharp distinction between Mandel and Luxemburg when we recall that Luxemburg's argument is that there will tend to be a surplus in the consumer goods industries. Her criticism of Marx's scheme of extended reproduction hinges on the fact that, if certain of the assumptions were modified, a surplus would arise in Dept II (i.e. means of consumption). In this respect Mandel is in the mainstream of the Leninist theory of imperialism. Both Lenin and Mandel put the idea of surplus capital at the centre of the economic drive of imperialism.

VIII

In this Introduction we have attempted to give some indication of the issues under discussion by the two authors, and also some of the developments in the related fields since they wrote their respective contributions. Inevitably we have had to concentrate upon Luxemburg's ideas because they are the ones 'in the dock', so to speak. Regarding subsequent developments, we have only been able to touch upon a very small portion of the material dealing with imperialism. But one point is clear from any examination of this material: the great bulk of it either follows the lines already laid down – particularly by Lenin – or it is largely illustrative and descriptive. Apart from the Baran-Sweezy school of

Sweezy, in so far as it examines the rise in unproductive expenditures, comes to different conclusions. Gilman argues that, on the basis of his researches, the law of tendency of the rate of profit to decline has not been invalidated, and is in operation. Surprisingly, Baran and Sweezy chose to ignore Gilman's work when constructing their own theory.

thought, there seem to have been very few attempts to develop the theory of imperialism since the first quarter of this century, by Marxists of any particular hue. In large measure this has been due to the raising of Lenin's ideas into canonical dogma during the period of Stalin's sway within the world Communist movement. We hope that the publication of the present work will stimulate further discussion and research.

The questions posed by Luxemburg and Bukharin are still with us, and discussion of them is therefore still valid: indeed, we would say that they are even more pertinent. On the one hand we have seen the area open to capitalist exploitation shrink to less than two thirds of the world since 1917. At the same time, the volume of wealth extracted from the 'third world' has increased enormously since that date, so that Luxemburg's theory of the 'third' market is perhaps still an open question. Also since 1945 there has been a period of unprecedented prosperity and growth within the capitalist world, which would seem to have cast doubt on the Marxist theories of development and crisis. Contrary to a near universal expectation in 1945, there has been a resurgence of capitalism and what can rightly be called a new scientific and technological revolution. The ultimate consequences of this new situation can, as yet, be only dimly perceived.

Yet at the time of writing, it would also seem true that certain features of capitalism – once proclaimed to have been erased by certain ideologues – are once more reasserting themselves, e.g. a rising trend of permanent unemployment in some countries and large-scale bankruptcies. This is not even to touch upon the possible ecological and environmental disasters that seem to be looming ahead as consequences of this 'rejuvenated' capitalism.

On the other hand we have witnessed, since the 1950s, a growing struggle on the part of the peoples of the colonial and ex-colonial world to shake off imperialism. At the same time, the working classes in the advanced capitalist countries have been largely quiescent in the face of this anti-imperialist struggle. Do Rosa Luxemburg's ideas not throw some light on this phenomenon? We make no attempt here to answer such questions, merely to indicate them.

The form of the present volume perhaps gives an indication of our attitude. It is only by the clash of ideas in a free and open

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manner that such questions can be resolved. The imposition of an orthodoxy based upon the ideas of one man, be he a Lenin, Trotsky, Stalin, Mao or even Marx, can only result in the stultification of any creativity. The present work should be seen as a part of the revival *and* development of classical scientific socialism.

The Accumulation of Capital – An Anti-critique

*The Accumulation of Capital,
or What the Epigones Have Made of
Marx's Theory*

BY

ROSA LUXEMBURG

THE QUESTIONS AT ISSUE

Habent sua fata libelli – books have their fates. When I wrote my *Accumulation* a thought depressed me from time to time: all followers of Marxist doctrine would declare that the things I was trying to show and carefully substantiate were self-evident. Nobody would voice a different opinion; my solution of the problem would be the only possible one imaginable. It turned out very differently: a number of critics in the Social Democratic press declared that the book was totally misguided to start with and that such a problem calling for solution did not exist at all. I had become the pitiful victim of a pure misunderstanding. There were events connected with the publication of my book which must be called rather unusual. The ‘review’ of the *Accumulation* which appeared in *Vorwärts** of 16 February 1913 was striking in tone and content even to the less involved reader; and ‘all the more astonishing since the criticized book is purely theoretical and strictly objective, and directed against no living Marxist. Not enough. Against those who had published a positive review of the book a high-handed action was taken by the central organ. A quite unique and somehow funny event – a purely theoretical study on an abstract scientific problem was censured by the entire staff of a political daily paper (of whom probably two at the most may have read the book). They did this by denying to men like Franz Mehring† and J. Karski‡ any expert knowledge of

[* *Vorwärts* was the central daily newspaper of the Social Democratic Party of Germany, SPD, published in Berlin.]

[† Franz Mehring (1846–1919). Biographer of Karl Marx and close collaborator of Rosa Luxemburg in her anti-war propaganda, 1914–18. Joined the SPD at the age of forty-six and was a brilliant contributor to its newspapers and journals. With Luxemburg and Liebknecht, he helped to found the Spartakus League in 1919 which was the immediate forerunner of the KPD (Communist Party of Germany).]

[‡ J. Karski, pseudonym for Julian Marchlewski. He was one of the leaders of the SDKP (Social Democracy of the Kingdom of Poland). Karski worked for many years in Germany as an SPD journalist. In 1919 he went to Russia and became an active member of the Bolshevik party. Died in 1925.]

economics, but allowed only those who pulled my book to pieces to be 'experts'. Such a fate has happened to no other party publication as far as I know and over the decades Social Democratic publishers have certainly not produced all gold and pearls. All these events clearly indicate that there have been other passions touched on, one way or another, than 'pure science'. But to judge that properly one has first to know at least the main points of the material in question.

What is this so vehemently opposed book about?

To the reading public some external accessories like frequently used mathematical formulae seem to be a great deterrent. In the criticism of my book these formulae are especially the focus. Some of the esteemed critics have undertaken to teach me a lesson by constructing new and even more complicated formulae. The sheer sight of them brings quiet horror to the ordinary mortal. We shall see that my critics' preference for the formulae is not a matter of chance, but linked very closely to their points of view on the subject. Yet the problem of accumulation is itself purely economic and social; it does not have anything to do with mathematical formulae and one can demonstrate and comprehend it without them. Marx uses constructed mathematical models in the section on reproduction of the gross social capital in his *Capital*, so did Quesnay, the founder of the physiocratic school of economics* as an exact science a hundred years before. But that was simply to help in explaining and clarifying their theories. It also assisted Marx as well as Quesnay to illustrate that the economic processes of bourgeois society are as much determined by strict laws as the processes of physical nature, in spite of superficial confusion and the apparent rule of individual caprice. My writings are partly based on Marx, partly critical of him – especially where he does not go any further into the question of accumulation than to devise a few models and suggest an analysis. This is where my critique begins, and so I must naturally use Marx's formulae with Marx's models. I could not arbitrarily omit them and I wanted especially to show the insufficiency of his line of argument.

[* Physiocrats. Eighteenth-century school of economists. The main strand in their theories was that only agricultural labour was productive. For elaboration and criticism see Karl Marx, *Theories of Surplus Value*, pt 1 (Moscow).]

Let us now try to understand the problem in its simplest form: the capitalist form of production is governed by the profit motive. Production only makes sense to the capitalist if it fills his pockets with 'pure income', i.e. with profit that remains after all his investments; but the basic law of capitalist production is not only profit in the sense of glittering bullion, but constantly growing profit. This is where it differs from any other economic system based on exploitation. For this purpose the capitalist – again in contrast to other historical types of exploiters – uses the fruits of exploitation not exclusively, and not even primarily, for personal luxury, but more and more to increase exploitation itself. The largest part of the profits gained is put back into capital and used to expand production. The capital thus mounts up or, as Marx calls it, 'accumulates'.

As the precondition as well as the consequence of accumulation, capitalist production widens progressively. To do this, the goodwill of the capitalist is not sufficient. The process is tied to objective social conditions which can be summed up as follows. Primarily, there must be a sufficient labour force. Historically, once capitalist production is functioning and fairly consolidated, capital ensures this through its own mechanisms:

(a) by just enabling the worker to support himself for further exploitation and for reproduction;

(b) by forming a constantly available reserve army of the industrial proletariat by the proletarianization of the middle class as well as by facing the worker with the competition of machines.

After this condition is fulfilled, i.e. the proletariat is securely available for exploitation and the mechanisms of exploitation itself are governed by the wage system, a new basic condition of capital accumulation emerges – the possibility of selling the goods produced by the workers to recover, in money, the capitalist's original expenses as well as the surplus value stolen from the labour forces. 'The first condition of accumulation is that the capitalist must have contrived to sell his commodities, and to reconvert into capital the greater part of the money so received.'* A steadily increasing possibility of selling the commodities is indispensable in order to keep the accumulation a continuous

* Karl Marx, *Capital* (Foreign Language Publishing House, Moscow, 1965), Vol. I, p. 564.

process. Capital itself (as we see) creates the basic condition for exploitation. The first volume of Marx's *Capital* analysed and described this process in detail. But what about the opportunities of realizing the fruits of this exploitation; what about the market? What do they depend on? Can capital itself, or its production mechanisms, expand its market according to its needs, in the same way that it adjusts the number of workers according to its demand? Not at all. Here capital depends on social conditions. Capitalist production has this in common with all other historical forms of production, in spite of fundamental differences between them. Objectively it has to fulfil the material needs of society, although subjectively only the profit motive matters. This subjective aim can only be reached so long as capital fulfils its objective task. The goods can be sold and the incoming profit turned into money only if these goods satisfy the requirements of society. So the continuous expansion of capitalist production, i.e. the continuous accumulation of capital, is linked to the equally continuous growth of social requirements. But what are the requirements of society? Can they somehow be more closely defined, measured, or must we depend only on this vague term? In fact, they seem intangible if one surveys the surface of day-to-day economic life from the standpoint of the individual capitalist. A capitalist produces and sells machines. His customers are other capitalists, who buy his machines to produce more goods. The one can sell more of his goods as the others expand their production. He can accumulate faster if others accumulate faster in their branches of production. This would be the 'requirements of society' on which our capitalist is dependent: the need of other capitalists is the precondition for the expansion of production. Another capitalist produces and sells the means of subsistence to the workers. The more workers are employed by other capitalists (and by himself), the more goods he can sell and the more capital he can accumulate. But how can the 'others' expand their plants? Obviously through the other capitalist; for example, the producers of machines, or means of subsistence, buying their goods in increasing measure.

So the social requirement, on which the accumulation of capital depends, seems at a closer look to be the accumulation of capital itself.

The more capital accumulates, the more it accumulates; it is all reduced to this blatant tautology, a dizzy circle. One cannot make out where it begins, or where the impelling force is. We are turning round in circles and the problem eludes our grasp. But it does so only for as long as we approach it from this superficial viewpoint, or examine it from the popular platform of vulgar economics, individual capital.

The pattern immediately takes shape if we approach it from the standpoint of total capital, once we see the process of capitalist production as a whole. This is the only relevant and right way. It is the standpoint Marx develops systematically for the first time in the second volume of *Capital*, and on which he bases his whole theory.

The self-sufficient existence of the individual capital is indeed only an external form, the surface of economic life, which only the vulgar economists use as their sole source of knowledge. Beneath that surface and through all contradiction of competition there remains the fact that all individual capitals in society form a whole. Then existence and movement are governed by common social laws which, with the unplanned nature and anarchy of the present system, only work behind the back of the individual capitalist. When one looks at capitalist production as a whole, then social requirements become a measurable quantity which can be divided into sections.

Let us imagine that all goods produced in capitalist society were stacked up in a big pile at some place, to be used by society as a whole. We will then see how this mass of goods is naturally divided into several big portions of different kinds and destinations.

Always, in any form of society, production has to provide two things. First it has to feed society, clothe it and satisfy cultural needs through material goods, i.e. it must produce the means of subsistence in the widest sense of the word for all classes and ages. Secondly, each form of production must replace used up raw materials, tools, factories and so on to allow the continued existence of society and the provision of work. Without the satisfaction of these two major requirements of any human society, cultural development and progress would be impossible. Even capitalist production with all its anarchy, and without

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injuring the profit motive, must meet these demands. Accordingly we will find in this aggregate of capitalist commodities produced, a large proportion for replacing the means of production used up in the year before. These are the raw materials, machinery, buildings, etc. (what Marx calls constant capital) which various capitalists must produce for each other and then exchange, so that production can be kept up in all branches. According to our assumption so far, it is capitalist business that provides all the necessary means for the work process. The exchange of commodities on the market is an internal or family matter between capitalists. The required money for this process, of course, comes out of the capitalists' pockets – as every employer must lay out the money capital in advance – and returns into the pockets of the capitalist class after the exchange on the market has taken place.

As we only assume the replacement of the means of production to its former extent, the same amount of money will suffice to keep this periodic process going and let the money return into the capitalists' pockets for a period of rest. A second large department of commodities must contain means of subsistence for the population, as in every society. But how is the population structured in capitalist society, and how does it get its means of subsistence?

Two basic structures are characteristic of the capitalist mode of production. Firstly, a general exchange of goods, i.e. nobody receives anything from the social stock of commodities without the means of purchase – money. Secondly, the capitalist wage system, i.e. the majority of the working population, must exchange its labour power with capital to acquire means of purchase, while the propertied class receives its means of subsistence only by exploiting this relationship. Thus capitalist production presupposes two great classes: capitalists and workers, who differ entirely in their acquisition of means of subsistence. The workers must be fed to maintain their labour power for further exploitation, however little their individual fates concern the capitalist. From the total quantity of commodities produced by the workers, a certain share is assigned to them by the capitalists, in direct proportion to their usefulness in production. The workers receive wages in money form to purchase these goods. By means of exchange the working class thus receives a certain sum of money

every year. With this they buy their provisions from the social stock of commodities, which are, of course, the property of the capitalist; these provisions are allotted to them according to their cultural level and the stage of the class struggle. The money that initiates this second big exchange again comes out of the capitalists' pockets. Every capitalist must advance the necessary money capital to purchase his labour force – what Marx calls 'variable capital' – in order to keep his enterprise going. But this money returns, down to the last penny, into the pockets of the capitalists as a class, after the worker has bought his means of subsistence (and every worker must do so to maintain himself and his family) – since it is the capitalists who sell means of subsistence to the workers as commodities. But what about their own consumption? The means of subsistence already belong to the capitalists in the form of the commodity stock before exchange, by virtue of capitalist relations, according to which all commodities – except for labour-power – come into this world as the property of the capitalist. Of course, precisely because they are commodities, the 'better' class of provisions come into being as the property of many individual private capitalists. Therefore, as with constant capital, a general exchange must take place between capitalists before they can enjoy their own means of subsistence. This exchange, too, must be conducted with money, and the capitalist himself has brought the necessary amount into circulation. Once again, as with the renewal of constant capital, this is an internal, family arrangement of the employing class. Once more, this money returns whence it began – into the pockets of the capitalists as a class.

The same mechanism of capitalist exploitation which regulates the wage system ensures that the necessary amount of goods and luxuries is produced for the capitalists. If the workers only produced as much as they actually needed, then from the standpoint of capital it would be pointless to employ them. It begins to make sense when the worker provides enough to maintain his employer, over and above what he needs for himself – i.e. his wage: when he produces what Marx calls surplus value. And this surplus value has to provide, among other things, the provisions and luxuries required by the capitalists, as by any other exploiters in the course of history. All that is left for the capitalists to do is to go to the

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frightful bother of mutual exchange and to obtain the necessary money-means, in order to maintain the hard and spartan existence of their class and ensure its natural reproduction.

So far we have dealt with two big portions of the aggregate quantity of commodities in society: means of production to repeat the work process and means of subsistence to maintain the population, i.e. the working class and the capitalists.

Of course, what we have described could easily seem to be a creation of fancy. What living capitalist knows or cares what and how much is necessary to replace the used-up gross capital and to feed the entire population? Is it not the case that every capitalist goes blindly on producing, competing with others, and hardly sees what is happening in front of his nose? But there must obviously be invisible rules which somehow work in all this chaos of competition and anarchy, otherwise capitalist society would have been in ruins long ago. And it is the whole purpose of political economy as a science (and particularly of Marx's economic studies) to trace these hidden laws which organize the whole of society in the midst of the confusion of private enterprise. We have now to trace these objective invisible rules of capitalist accumulation – the amassing of capital through progressive extension of production. The laws which we expound here are not authoritative for the conscious actions of individual capitals; indeed, no general institution exists in society that would consciously construct and operate these laws. Consequently, production today is like a lurching drunkard, fulfilling its tasks through all these gluts and dearths, price instability and crises. But price instability and crises have only one function in society: to integrate chaotic private production into its broad general context, without which it would soon disintegrate. Let us here try to sketch, with Marx, the relation between total capitalist production and social needs. We will omit the specific capitalist *methods* of price fluctuation and crises, and concentrate on the basics.

There must be more than those two big portions of the social stock of commodities which we have dealt with so far. If the exploitation of the workers were only to permit a luxurious life for the exploiters, we would have a kind of modernized slave system of medieval feudalism, but not the modern rule of capital. Its aim and goal in life is profit in the form of money and accumu-

lation of money capital. So the actual historical purpose of production only begins when exploitation aims beyond that. The surplus value must not only allow the capitalist class a living 'befitting their rank', but must also contain a part destined for accumulation. This actual purpose is so important that workers are only employed if they produce this profit and if there is the expectation that it can be accumulated in money-form.

In our assumed total stock of commodities in capitalist society we must accordingly find a third portion, which is destined neither for the renewal of used means of production nor for the maintenance of workers and capitalists. It will be a portion of commodities which contains that invaluable part of the surplus value that forms capital's real purpose of existence: the profit destined for capitalization and accumulation. What sort of commodities are they, and who in society needs them?

Here we have come to the nucleus of the problem of accumulation, and we must investigate all attempts at solution. Could it really be the workers who consume the latter portion of the social stock of commodities? But the workers have no means beyond the wages covering bare necessities which they receive from their employers. Beyond that there is no possible chance of their being consumers of capitalist commodities, however many unsatisfied needs they may have. It is also in the interest of the capitalist class to make this portion of the gross social product and means of purchase as scarce as possible. According to the standpoint of the capitalists as a class – it is important to see this standpoint in opposition to the abstruse ideas of the individual capitalist – workers are not, like others, customers for their commodities, but simply the labour force, whose maintenance out of part of its own produce is an unfortunate necessity, reduced to the minimum society allows.

Could the capitalists themselves perhaps be the customers for that latter portion of commodities by extending their own private consumption? That might be possible, although there is enough for the ruling class in any case, even with its luxurious whims. But if the capitalists themselves were to spend the total surplus value like water there would be no accumulation. That would mean, from the standpoint of capital, a fantastic relapse into a sort of modernized slave economy, or feudalism. Of course, this is

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conceivable and even practised occasionally in reverse: we could discern capitalist accumulation with forms of slavery and serfdom up until the sixties of the last century in the United States, still today in Rumania and various overseas colonies. But the other way, modern exploitation with a free wage system followed by ancient or feudal squandering of the surplus value, neglecting accumulation, this deadly sin against the *spiritus sanctus* of capital is unthinkable. Again, the standpoint of total capital differs basically from that of the individual employer. For the individual, the luxury of 'high society' is a desirable expansion of sales, i.e. a splendid opportunity for accumulation. For all capitalists as a class, the total consumption of the surplus value as luxury is sheer lunacy, economic suicide, for it is the destruction of accumulation at its roots.

Who then could be the buyer and consumer of that portion of commodities whose sale is only the beginning of accumulation? So far as we have seen, it can be neither the workers nor the capitalists.

But are there not all sorts of strata in society like civil servants, military, clerics, academics and artists which can neither be counted among the workers nor the employers? Must not all these categories of the population satisfy their needs, and could they not be the wanted purchasers of the surplus commodities? Once more: yes, they could for the individual capitalist! It is different again if we take the employers as a class, if we consider gross social capital. In capitalist society all those strata are economically only the hangers-on of the capitalist class. If we ask where the civil servants, clerics, officers, artists, etc., receive their means of purchase, we see that it is partly maintained out of the pockets of the capitalists, partly out of the wages of labour (via the indirect tax system). Economically these groups cannot be a special class of consumers, as they do not have any independent sources of purchasing power, but are included as parasites in the consumption of the two major classes, workers and capitalists.

So we still do not see any customers for the latter portion of commodities, who could initiate the process of accumulation.

In the end, the solution of the problem is quite simple. Perhaps we are acting like the rider who is desperately looking for the nag he is sitting on. Perhaps the capitalists are mutual customers for

the remainder of the commodities – not to use them carelessly, but to use them for the extension of production, for accumulation. Then what else is accumulation but extension of capitalist production? Those goods which fulfil this purpose must not consist of luxurious articles for the private consumption of the capitalists, but must be composed of various means of production (new constant capital) and provisions for the workers [variable capital].

All right, but such a solution only pushes the problem from this moment to the next. After we have assumed that accumulation has started and that the increased production throws an even bigger amount of commodities on to the market the following year, the same question arises again: where do we then find the consumers for this even greater amount of commodities? Will we answer: well, this growing amount of goods will again be exchanged among the capitalists to extend production again, and so forth, year after year? Then we have the roundabout that revolves around itself in empty space. That is not capitalist accumulation, i.e. the amassing of money capital, but its contrary: producing commodities for the sake of it; from the standpoint of capital an utter absurdity. If the capitalists as a class are the only customers for the total amount of commodities, apart from the share they have to part with to maintain the workers – if they must always buy the commodities with their own money, and realize the surplus value, then amassing profit, accumulation for the capitalist class, cannot possibly take place.

They must find many other buyers who receive their means of purchase from an independent source, and do not get it out of the pocket of the capitalist like the labourers or the collaborators of capital, the government officials, officers, clergy and liberal professions. They have to be consumers who receive their means of purchase on the basis of commodity exchange, i.e. also production of goods, but taking place outside of capitalist commodity production. They must be producers, whose means of production are not to be seen as capital, and who belong to neither of the two classes – capitalists or workers – but who still have a need, one way or another, for capitalist commodities.

But where are those buyers? Apart from the capitalists with their entourage of hangers-on, there are no other classes or strata in society today.

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Here we get down to the heart of the problem. Marx, in the second volume of *Capital*, as in the first, presupposes that capitalist production is the sole and exclusive mode of production. He says in the first volume

Here we take no account of export trade, by means of which a nation can change articles of luxury either into means of production or means of subsistence, and vice versa. In order to examine the object of our investigation in its integrity, free from all disturbing subsidiary circumstances, we must treat the whole world as one nation, and assume that capitalist production is everywhere established and has possessed itself of every branch of industry.*

And in the second volume: 'Apart from this class, according to our assumption – the general and exclusive domination of capitalist production – there is no other class at all except the working class.'†

Under this condition, there are only capitalists cum hangers-on and workers in society; other classes, other producers and consumers are nowhere to be found. In that case, capitalist production is faced with the insoluble question which I tried to point out above.

You can twist and turn it as you wish, but so long as we retain the assumption that there are no other classes but capitalists and workers, then there is no way that the capitalists as a class can get rid of the surplus goods in order to change the surplus value into money, and thus accumulate capital.

But Marx's assumption is only a theoretical premise in order to simplify investigation. In reality, capitalist production is not the sole and completely dominant form of production, as everyone knows, and as Marx himself stresses in *Capital*. In reality, there are in all capitalist countries, even in those with the most developed large-scale industry, numerous artisan and peasant enterprises which are engaged in simple commodity production. In reality, alongside the old capitalist countries there are still those even in Europe where peasant and artisan production is still strongly predominant, like Russia, the Balkans, Scandinavia and Spain. And finally, there are huge continents besides capitalist Europe

* *Capital*, Vol. I, p. 581, footnote 1.

† *ibid.*, Vol. II, p. 348.

and North America, where capitalist production has only scattered roots, and apart from that the people of these continents have all sorts of economic systems, from the primitive Communist to the feudal, peasantry and artisan. Not only do all these social and productive forms co-exist, and co-exist locally with capitalism, but there is a lively intercourse of a specific kind. Capitalist production as proper mass production depends on consumers from peasant and artisan strata in the old countries, and consumers from all countries; but for technical reasons, it cannot exist without the products of these strata and countries. So there must develop right from the start an exchange relationship between capitalist production and the non-capitalist milieu, where capital not only finds the possibility of realizing surplus value in hard cash for further capitalization, but also receives various commodities to extend production, and finally wins new proletarianized labour forces by disintegrating the non-capitalist forms of production.

This is only the bare economic content of the relationship. Its concrete design in reality forms the historic process of the development of capitalism on the world stage in all its colourful and moving variety.

First, the exchange relation of capital with its non-capitalist environment confronts the difficulties of a barter economy, secure social relations and the limited demand of patriarchal peasant economy and artisan production. Here capital uses 'heroic means', the axe of political violence. Its first act in Europe is the revolutionary conquest of the feudal barter economy. Overseas, it begins with the subjugation and destruction of traditional communities, the world historical act of the birth of capital, since then the constant epiphenomenon of accumulation. Through destruction of the primitive barter relations in these countries, European capital opens the doors to commodity exchange and production, transforms the population into customers of capitalist commodities and hastens its own accumulation by making mass raids on their natural resources and accumulated treasures. Since the beginning of the nineteenth century, accumulated capital from Europe has been exported along these lines to non-capitalist countries in other parts of the world, where it finds new customers and thus new opportunities for accumulation on the ruins of the native forms of production.

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Thus capitalism expands because of its mutual relationship with non-capitalist social strata and countries, accumulating at their expense and at the same time pushing them aside to take their place. The more capitalist countries participate in this hunting for accumulation areas, the rarer the non-capitalist places still open to the expansion of capital become and the tougher the competition; its raids turn into a chain of economic and political catastrophes: world crises, wars, revolution.

But by this process capital prepares its own destruction in two ways. As it approaches the point where humanity only consists of capitalists and proletarians, further accumulation will become impossible. At the same time, the absolute and undivided rule of capital aggravates class struggle throughout the world and the international economic and political anarchy to such an extent that, long before the last consequences of economic development, it must lead to the rebellion of the international proletariat against the existence of the rule of capital.

This, in brief, is my conception of the problem and its solution. At first glance it may appear to be a purely theoretical exercise. And yet the practical meaning of the problem is at hand – the connexion with the most outstanding fact of our time: imperialism. The typical external phenomena of imperialism: competition among capitalist countries to win colonies and spheres of interest, opportunities for investment, the international loan system, militarism, tariff barriers, the dominant role of finance capital and trusts in world politics, are all well known. Its connexion with the final phase of capitalism, its importance for accumulation, are so blatantly open that it is clearly acknowledged by its supporters as well as its enemies. But Social Democracy refuses to be satisfied with this empirical knowledge. It must search for the precise economic rules behind appearances, to find the actual roots of this large and colourful complex of imperialist phenomena. As always in these cases, only precise theoretical knowledge of the problem at its roots can provide our practical struggle against imperialism with security, aim and force – essential for the politics of the proletariat. Before Marx's *Capital* appeared, the fact that there was exploitation, surplus labour and profits, was well known. But only the precise theory of surplus value, the wage laws and the industrial reserve army, as Marx bases them in

his theory of value, have given a strong foundation for the practical class struggle, on which the German and, in its footsteps, the international labour movement developed until the World War [First World War]. That theory alone is not enough; that one can sometimes connect the best theory with the worst practice is shown by the present collapse of German Social Democracy. This collapse did not occur as a result of Marxist theory, but in spite of it, and it can only be overthrown by bringing the practice of the labour movement into harmony with its theory. In the class struggle as a whole, as in each important part of it, we can only gain a secure foundation for our position from Marx's theory, from the buried treasures found in his fundamental works.

There is no doubt that the explanation for the economic roots of imperialism must be deduced from the laws of capital accumulation, since, according to common empirical knowledge, imperialism as a whole is nothing but a specific method of accumulation. But how is that possible, if one does not question Marx's assumptions in the second volume of *Capital* which are constructed for a society in which capitalist production is the only form, where the entire population consists solely of capitalists and wage labourers?

However one defines the inner economic mechanisms of imperialism, one thing is obvious and common knowledge: the expansion of the rule of capital from the old capitalist countries to new areas, and the economic and political competition of those countries for the new parts of the world. But Marx assumes, as we have seen in the second volume of *Capital*, that the whole world is one capitalist nation, that all other forms of economy and society have already disappeared. How can one explain imperialism in a society where there is no longer any space for it?

It was at this point that I believed I had to start my critique. The theoretical assumption of a society of capitalists and workers only – which is legitimate for certain aims of investigation (as in the first volume of *Capital*, the analysis of individual capital and its practice of exploitations in the factory) – no longer seems adequate when we deal with the accumulation of gross social capital. As this represents the real historical process of capitalist development, it seems impossible to me to understand it if one abstracts it from all conditions of historical reality. Capital accumulation as the historical process develops in an environment

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of various pre-capitalist formations, in a constant political struggle and in reciprocal economic relations. How can one capture this process in a bloodless theoretical fiction, which declares this whole context, the struggle and the relations, to be non-existent?

Here especially it seems necessary, in the spirit of Marxist theory, to abandon the premise of the first volume, and to carry out the inquiry into accumulation as a total process, involving the metabolism of capital and its historical environment. If one does this, then the explanation of the process follows freely from Marx's basic theories, and is consistent with the other portions of his major works on economics.

Marx himself only posed the question of the accumulation of gross capital, but his answer went no further. As a basis for his analysis, he first selected that pure capitalist society; but not only did he not take this analysis to its conclusion, he also broke off at just this central question. In order to illustrate his conception he constructed some mathematical models, but hardly had he started on their significance for practical social possibilities and their verification from this standpoint when sickness and death forced him to stop writing. It was clearly left to his pupils to solve this problem (like many others), and my *Accumulation* was intended as an attempt in this direction.

The solution I proposed might have been judged as correct or incorrect; it could have been criticized, contested, supplemented; or another solution could have been produced. None of this happened. What followed was quite unexpected: the 'experts' explained that there was no problem to be solved! Marx's illustrations in the second volume of *Capital* were a sufficient and exhaustive explanation of accumulation; the models there proved quite conclusively that capital could grow excellently, and production could expand, if there was no other mode of production in the world than the capitalist one; it was its own market, and only my complete inability to understand the ABC of Marx's models could persuade me to see a problem here.

THE CRITICS

Just consider: it is a fact that the controversies in political economy over the problem of accumulation and the possibility of the realization of surplus value have gone on for a century; in the twenties, in Sismondi's disputes with Say, Ricardo and MacCulloch,* in the eighties and nineties between the Russian 'Populists'† and Marxists. The most distinguished political economists in France, England, Germany and Russia aired the question repeatedly, both before and after the appearance of Marx's *Capital*. Wherever, under the impact of sharp social criticism, active intellectual life pulsed through political economy, the problem left no peace for the researchers. It is a fact that the second volume of *Capital* is not really a complete work, like the first, but only a torso, a loose collection of more or less finished fragments and drafts such as a researcher writes down for his own understanding, the elaboration of which was repeatedly held back and interrupted by illness. In particular, the analysis of the accumulation of gross capital, with which we are dealing here, came off worst, being the last chapter of the manuscript: out of a volume of 523 pages it accounts for a scanty thirty-five pages and breaks off in mid-flow.

It is a fact that this last section of the volume, as Engels testifies, seemed to Marx himself to be 'in urgent need of revision' and

[* Sismondi, Say, Ricardo and MacCulloch, economists of the early nineteenth century. For exposition and criticisms of their respective ideas see Marx, *Capital*, Vols. I, II, and III, also *Theories of Surplus Value*. For a concise account see Eric Roll, *A History of Economic Thought* (Faber & Faber, London, 1962). See also Rosa Luxemburg, *The Accumulation of Capital*.]

[† Populists or Narodniks. A group from the Russian intelligentsia who, in the 1870s, were active in attempting to arouse the peasants against the Tzar. This revolutionary activity was known as 'going to the people'. It was largely a failure, and the most determined elements of the movement then resorted to acts of terrorism. They assassinated Tzar Alexander II on 1 March 1881. Thereafter the movement declined.]

remains, according to the same testimony, 'only a preliminary treatment of the subject'. As Marx, in the process of his analysis, dealt again and again with the problem of the realization of surplus value, his doubts appeared in ever different forms, and thus he certainly bore witness himself to the difficulty of the problem.

It is a fact that there are blatant contradictions between the premises of the short fragment at the end of the second volume, where Marx deals with accumulation, and the illustrations of the third volume, where he describes the 'total movement of capital'. The same is true of many important laws in the first volume, which I refer to in detail in my book.

It is a fact that, since its first appearance on the stage of history, capitalist production has demonstrated its enormous attraction towards non-capitalist countries. It runs like a red thread throughout its development, grows ever more important until, in the last twenty-five years, in the epoch of imperialism, it appears directly as the determining and dominant factor in social life.

It is a fact that everyone knows that there never has been, nor does there exist at present, a country with exclusively capitalist production, where there are only capitalists and wage-earners. The society for which the premises of the second volume of *Capital* were designed does not exist anywhere in concrete reality.

And, despite all this, the official 'experts' of Marxism explain that there is no problem of accumulation, that everything has already been solved once and for all by Marx! They have never been disturbed by the remarkable precondition of accumulation in the second volume, they even failed to notice it as anything peculiar! And now that the situation has been pointed out to them they find this very strangeness quite in order. They cling doggedly to this idea and violently attack anyone who thinks he sees a problem where official Marxism has been nothing but self-satisfied for decades!

This is such a blatant case of 'epigonism' that it can only be compared with an anecdotal event from the realms of pettifogging academics: the well-known story of the so-called 'Blattversetzung' of Kant's *Prolegomena*.

For a century, the philosophical world argued passionately about the various problems of Kantian theory, and about the

Prolegomena in particular; the meaning of Kant's theory gave rise to whole schools which fought bitterly among themselves. But then Professor Vaihinger* cleared up one of the most obscure of these problems in the simplest possible way – by pointing out that a part of paragraph 4 of the *Prolegomena*, which is in fact completely unrelated to the rest of the chapter, belonged in paragraph 2: it had just been detached by a printing error in the original edition and been put in the wrong place. And anyone who now reads the text straightforwardly can immediately see this. But not the cliquish academics who for a century had been constructing profound theories upon a printing error. And there actually was a pedantic academic, a professor in Bonn, who demonstrated in four indignant articles in the *Philosophische Monatshefte* that the 'alleged "Blattversetzung"' did not exist, that it was precisely this printing error which expressed the sole correct and unadulterated Kant, and that whoever dared to locate a printing error there had not understood the smallest grain of Kant's philosophy.

This is the sort of way in which the 'experts' now cling on to the premises of the second volume of Marx's *Capital* and the mathematical models which are built upon it. The main doubt of my critique is directed towards the fact that, on the question of accumulation, mathematical models can prove absolutely nothing, since their historical premise is untenable. The reply is: but the models work out exactly, so the problem of accumulation is solved – it simply doesn't exist.

Here is an example of the orthodox cult of formulae.

In *Neue Zeit* Otto Bauer† embarks on an investigation of the

[* Hans Vaihinger (1854–1933). German philosopher of the 'as if'. Founded the journal *Kant-Studien*. Main work *The Philosophy of 'As If'*, English translation C. K. Ogden (New York, 1924). See also W. Del Negro, 'Hans Vaihinger's *Philosophisches Werk mit besonderer Berücksichtigung seiner Kantforschung*', in *Kant-Studien* (1934), pp. 316–27.]

[† Otto Bauer (1881–1938). Born in Vienna. In 1907 became Secretary to the Parliamentary Group of the Austro-Hungarian Social Democratic Party. Became one of the party's leading theorists after the publication of *The Question of Nationalities and Austrian Social Democracy*, and was a frequent contributor to *Der Kampf*, the theoretical journal of the Austrian SDP. Served as a conscript in the Austro-Hungarian army after August 1914. Was captured in the autumn of 1914 by the Russians and spent the rest of the war

question I posed – how is surplus value realized – in the following fashion. He constructs four large tables of figures in which Roman letters alone, such as Marx used for the abbreviated annotation of variable and constant capital, are not enough. Bauer adds on a few Greek letters. This makes his tables look even more intimidating than all the models in Marx's *Capital*. With this contraption he then tries to show how the capitalists, after renewing the used capital, dispose of the excess commodities which contain the surplus value which is to be turned into capital for them: 'And furthermore (after replacing the old means of production), the capitalists want to use the surplus value accumulated in the first year to enlarge existing operations or establish new ones. If in the next year they want to use capital which has grown by 12,500 they must build new workshops, buy new machines and increase their supply of raw materials, etc., etc., this year.*'

Thus the problem is said to be solved. If 'the capitalists want' to expand production, then of course they need more means of production than before and so act mutually as their own consumers. At the same time, they need more workers and more provisions for these workers, which they make themselves anyway. This deals with the entire surplus of means of production and provisions, and accumulation can begin. As one can see, everything depends on whether the capitalists 'want' to undertake an expansion of production. And why not? Well, of course, 'they want to'. 'Consequently, the entire productive value of both spheres, thus also the entire surplus value, is realized,' Bauer explains triumphantly, and from this he concludes:

as a prisoner until he was repatriated in August 1917. Whilst in Russia he learned to speak Russian. He was sympathetic to the Martov-Internationalist wing of the Mensheviks but was a critical supporter of the Bolshevik revolution in 1917. After the fall of the Hapsburg monarchy Bauer served as a Foreign Secretary in the Social Democratic government. In the 1920s he attempted to bridge the gulf between Social Democracy and the new Communist Parties, seeking to re-unite the workers' parties nationally and internationally. Before 1914 Bauer was also a frequent contributor to *Neue Zeit* (see next note) and influenced the German party, particularly on the national question.]

* *Neue Zeit*, 1913, No. 24, p. 863. [*Neue Zeit* was the central theoretical journal of the German Social Democratic Party (SPD). Edited by Karl Kautsky.]

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‘Similarly, Table IV clearly shows that the total productive value of both spheres is disposed of without any trouble and the total surplus value is realized, not only in the first year, but in *each subsequent year*. Comrade Luxemburg is thus incorrect in her assumption that the accumulated part of surplus value cannot be realized.’*

Bauer has simply not noticed that he did not need nearly such long and detailed calculations with four tables, with wide, lengthy, oval-bracketed and four-storeyed formulae to reach this brilliant conclusion. The conclusion which Bauer has reached does not even follow from his tables; he simply takes it as given. Bauer simply assumes what was to be proven – that is all his whole ‘proof’ consists of.

If the capitalists want to enlarge production by as much as they possess in surplus capital, then all they have to do is put this surplus capital into their own production (providing, of course, that they produce absolutely all the necessary means of production and provisions themselves!) – then they are left with no unsaleable commodity surplus. Can anything be more simple, and are any nonsensical formulae with Roman and Greek letters needed actually to ‘prove’ something so obvious?

But then the question arose as to whether the capitalists, who of course always ‘want’ to accumulate, can also do so, that is, whether they can find a continually expanding market for expanded production, and where such a market is to be found? And the answer to that cannot come from any arithmetical operations with fictitious numbers on the paper, but only from an analysis of the socio-economic relations of production.

If one asks the ‘experts’: ‘Yes, all well and good, the capitalists “want” to expand production, but then who are they going to sell their increased amount of commodities to?’ they answer: ‘The capitalists will always consume this increasing amount of commodities themselves, because they always “want” to expand production.’

‘And the models show who buys the products,’ the *Vorwärts* reviewer, G. Eckstein, explains.†

* *ibid.*, p. 886.

† *Vorwärts*, 16 February 1913. Likewise A. Pannekoek [see below] in the *Bremer Bürgerzeitung* of 19 January 1913: ‘The model itself gives the answer

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To be brief: each year the capitalists expand by exactly as much as they have 'saved up' in surplus value; they are their own consumers and thus the market does not bother them. This *assumption* is the starting-point of the whole 'proof'. But a mathematical formulation is both unnecessary for this assumption and completely incapable of proving it. The naïve idea that mathematical formulae could prove the main point here – the economic *possibility* of such an accumulation – is the amusing *quid pro quo* of the 'expert' custodians of Marxism. In itself it is enough to make Marx turn in his grave.

Marx himself never dreamed of presenting his own mathematical models as any sort of *proof* that accumulation was in fact possible in a society consisting solely of capitalists and workers. Marx investigated the internal mechanism of capitalist accumulation and established certain economic laws on which the process is based. He started roughly like this: if the accumulation of gross capital, that is, in the entire class of capitalists, is to take place, then certain quite exact quantitative relations must exist between the two large departments of social production: the production of means of production and the production of means of consumption. Progressive expansion of production and, at the same time, progressive accumulation of capital – which is the object of it all – can only proceed unhindered if such relations are maintained so that the one large department of production continuously works hand-in-hand with the other. Marx sketched a mathematical example, a model with imaginary numbers, to illustrate his

very simply, for all products find their market there (i.e. on the paper of the *Bremer Bürgerzeitung*). The capitalists and the workers themselves are the consumers. . . . There is, therefore, absolutely no problem to be solved.'

[Gustav Eckstein. Austrian. Contributed to *Der Kampf* and *Neue Zeit*. Author of a book on the family, being a sociological study mainly based on Japanese family, traditions and law. This was published in *Marx-Studien* and Eckstein was considered to be one of the founders of the Austro-Marxist school (see note on p. 89).]

[Dr Anton Pannekoek. Dutch astronomer. Lectured at the Central Party School of the SPD before 1914 until the Prussian police threatened to deport him. After this, he became active in Bremen as a part of the Bremen SPD left. Was active in Dutch Communist affairs after 1918, again supporting the Dutch Communist left. Was an enthusiastic supporter of workers' control of production and of workers' councils as a form of government.]

thoughts clearly and exactly, and he uses it to show that if accumulation is to proceed, then the individual points in the model (constant capital, variable capital, surplus value) must behave in such and such a way to each other.

Clearly, for Marx, mathematical models are examples, *illustrations* of his economic thoughts, just as Quesnay's '*Tableau économique*'* was for his theory, or as the maps from various ages are illustrations of what were then dominant astronomical and geographical concepts. Whether the laws of accumulation which Marx constructed, or more exactly indicated sketchily, are correct or not can obviously be proved only by economic analysis, comparison with other laws set up by Marx, consideration of various consequences to which they lead, examination of the premises from which they proceed, and so on. But what is one to think of 'Marxists' who reject any such criticism as lunacy, since the correctness of the laws is *proven by the mathematical models*! I doubt whether accumulation could proceed in a society composed solely of capitalists and workers, such as the one on which Marx's models are based, and I believe that the development of capitalist production cannot in general be fitted into a schematic relation between pure capitalist concerns at all. The answer of the 'experts' is: But it's certainly possible! That is demonstrated brilliantly 'by Table IV', 'and the models show . . .' — i.e. the fact that a row of numbers on a piece of paper thought up for the purpose of illustration can be added and subtracted at will!

In olden times people believed in the existence of all kinds of fabulous creatures: dwarfs, people with one eye, with one arm and leg, and so on. Does anybody believe that such creatures ever really existed? But we see them drawn in precisely on the old maps. Is that not *proof* that those conceptions of the ancients corresponded exactly with reality?

But let us take a dull example.

A costing is produced for the planned construction of a railway

[* *Tableau économique*, used by Quesnay to illustrate his views on the division of society into economic classes. These were the productive class which consisted of all those engaged in agriculture, the class which lived from the surplus, landlords, the Church, etc. and the sterile class which consisted of all those engaged in manufacturing industry. For a full exposition with diagrams see Paul M. Sweezy, *The Theory of Capitalist Development*.]

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from town *X* to town *Y*; precise calculations are made as to how large the annual passenger and goods traffic has to be so that, apart from depreciation, running operational costs and the normal 'reserves', a 'reasonable' dividend can be distributed, shall we say first 5 per cent, then 8 per cent. Naturally, the central question for the founders of the railway company is whether they can expect the passenger and goods traffic on the proposed stretch which would ensure the profitability calculated in the costing. Clearly, the answer to this can only come from precise and basic facts about the previous traffic on the stretch, its importance for commerce and industry, the population growth of the adjacent towns and villages and other facts concerning economic and social relations. Now, what would one say to a man who exclaimed: You ask, where will the profit of the line come from? I beg your pardon, but that is down in black and white in the costing. You can read there that it comes from the passenger and goods traffic, and that the takings from this will provide first for a 5 per cent, then for an 8 per cent dividend. If you can't see that, gentlemen, then you have simply completely misunderstood the nature, aim and significance of the costing.*

In sober circles one would probably indicate, with a shrug of one's shoulders towards the know-all, that he belonged in the lunatic asylum or the nursery. But among the official custodians of Marxism such know-alls form the 'supreme court' of 'experts' who give reports on whether other people have understood or misunderstood the 'nature, aim and significance of Marx's models'!

What, then, is the essence of the argument which the models allegedly 'prove'? My objection was that, for accumulation to take place, it must be possible to sell commodities in increasing quantity in order to convert the profit inherent in them into money. Only then is it possible to continue expanding production, therefore to continue accumulation. Where do the capitalists as an entire class find this market? My critics answer that they form their own market. As they continually expand their own operations (or start new ones), they themselves need more and

* 'And the models show who buys the products': 'Comrade Luxemburg has simply basically misunderstood the nature, aim and significance of Marx's models.' Eckstein, *Vorwärts*, 16 February 1913, supplement.

more means of production for their factories and provisions for their workers. Capitalist production is its own market, thus the latter grows automatically with the growth of production. But from the standpoint of capital the main question is: can capitalist profit be obtained or accumulated in this way? Only then could there be any talk of capital accumulation.

Let us take another simple example: capitalist *A* produces coal, capitalist *B* manufactures machines, capitalist *C* makes food. Let us imagine that these three capitalists form the entirety of capitalist employers. If *B* makes more and more machines, *A* can sell him more and more coal and thus can buy more and more machines from him, which he uses for mining. Both need more and more workers, and these need more and more provisions, so *C* too finds an ever greater market and thus he in turn becomes an ever larger consumer of both coal and machines. The whole thing revolves in ever higher circles – as long as we are wandering about in thin air. But let us examine the subject more concretely.

To accumulate capital does not mean to produce higher and higher mountains of commodities, but to convert more and more commodities into money capital. Between the accumulation of surplus value there always lies a decisive leap, the *salto mortale* of commodity production, as Marx calls it: selling for money. Is this perhaps only valid for the individual capitalist, but not for the entire class, for society as a whole? Definitely not. For in the social observation of phenomena ‘. . . we must not,’ says Marx, ‘lapse into the manner copied by Proudhon* from bourgeois economy and look upon this matter as though a society with a capitalist mode of production, if viewed *en bloc*, as a totality, would lose this its specific historical and economic character. No, on the contrary. We have, in that case, to deal with the aggregate capitalist.’†

Now, the accumulation of profit as money profit is just such a specific and quite essential characteristic of capitalist production,

[* Proudhon (1809–64). French socialist, mainly remembered today because of Marx’s polemic against him, *The Poverty of Philosophy*. Although he died relatively young Proudhon was a prolific writer. For bibliography see Henri de Lubac, S.J., *The Un-Marxian Socialist*, Sheed & Ward, London, 1948.]

† *Capital*, Vol. II, p. 433.

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and is as valid for the class as it is for the individual employer. Marx himself also emphasizes, precisely with the observation of the accumulation of gross capital, '... the formation of new money capital which accompanies actual accumulation and necessitates it under capitalist production ...'* And in the process of his investigation he returns again and again to the question: how is it possible for the class of capitalists to accumulate *money capital*?

Let us now examine the intelligent conception of the 'experts' from this point of view. Capitalist *A* sells his commodities to *B*, and so receives surplus value in money from *B*. The latter sells his commodities to *A* and receives the money back from *A*, which converts his surplus value into money. Both sell their commodities to *C* and so also receive a sum of money for their surplus value from the same *C*. But where does the latter get his money from? From *A* and *B*. According to our premise there are no other sources for the realization of surplus value, i.e. no other commodity consumers. But can new money capital be formed in this way to enrich *A*, *B* and *C*? Let us for a moment assume that with all three the quantity of commodities for exchange grows, production expands uninterrupted, and therefore, the amounts of surplus value expressed in commodities can grow. Exploitation is complete, the possibility of enrichment, of accumulation, has come. But exchange, the realization of the increased surplus value in increased new money capital, has to take place in order for possibility to become reality. Notice that we do not ask here, as Marx often does in the second volume of *Capital*: where does the money for the circulation of surplus value come from? to answer finally: from the gold-miner. We ask rather: how does new money capital come into the pockets of the capitalists, since (apart from the workers) they are the only ones who can consume each other's commodities? Here money capital wanders continuously out of one pocket into the other.

But wait: perhaps such questions are putting us on quite the wrong track. Perhaps profit accumulation does take place in this ceaseless wandering from one capitalist's pocket into the other, in the successive realization of private profits, where the aggregate amount of money capital does not even have to grow, because

* *Capital*, Vol. II, p. 507.

such a thing as the 'aggregate profit' of all capitalists does not exist outside of obscure theory?

But – oh dear – such an assumption would simply lead us to throw the third volume of Marx's *Capital* into the fire. For the doctrine of *average profit*, one of the most important discoveries of Marx's economic theory, is central to its argument. This alone gives concrete meaning to the theory of value in the first volume – on which are based both the theory of surplus value and the second volume, so these would also have to find their way into the fire. Marx's economic theory stands and falls with the concept of gross social capital as a concrete amount, which finds its tangible expression in aggregate capitalist profit and its distribution, and whose invisible movement initiates all visible movements of individual sums of capital. Gross capitalist profit is, in fact, a much more material economic amount than, for instance, the total sum of paid wages at any given time. For the latter appears as a statistical number only after retrospective addition over a period of time, whilst aggregate profit, on the other hand, expresses itself in the economic mechanism as a whole, since competition and price fluctuation are always distributing it amongst individual sums of capital as average profit or as extra profit.

So the problem remains: gross social capital continually realizes an aggregate profit in money-form, which must continually grow for gross accumulation to take place. Now, how can the amount grow if its component parts are always circulating from one pocket to another?

It would appear that – as we have assumed up until now – at least the aggregate amount of commodities which contain the profit can grow in this way, and the only difficulty lies in supplying the money, which is perhaps only a technical question of money circulation. But only *apparently*, superficially. The aggregate amount of commodities will not increase, expansion of production cannot take place, because in capitalist production the essential precondition for this is conversion into money, the universal realization of profit. The sale of increasing amounts of commodities, and the realization of profit, from *A* to *B*, *B* to *C* and *C* back again to *A* and *B* can only take place if at least one of them can in the end find a market outside the closed circle. If this does not happen the roundabout will grind to a halt after only a few turns.

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On the basis of this one can appreciate the profundity of my 'expert' critics when they exclaim:

When Comrade Luxemburg continues: We are clearly going round in circles. From the point of view of the capitalists it is absurd to produce more means of consumption just to maintain more workers, and to produce more means of production just to give this increased labour force something to do! – it is difficult to fathom the relevance of these words to Marx's models. The object of capitalist production is profit: this comes to the capitalists from the process described, and is therefore not the least bit absurd from the capitalist point of view; on the contrary, from this point of view it is the very embodiment of reason, i.e. of the striving after profit.*

In point of fact, it is 'difficult to fathom' which is greater here, the naïvely admitted complete incapability of going deeply into the basic Marxist theory of gross social capital as opposed to individual capital, or the complete lack of comprehension of the question I posed. I say: production to an ever greater extent for production's sake is, from the capitalist point of view, absurd, because in this way – according to the premise which the 'experts' cling to – it is impossible for the entire class of capitalists to realize profit, and therefore to accumulate. The answer is: But that is by no means absurd, because that *is* the way profit is accumulated! And how do you know that, oh experts? Now, it is shown . . . in the mathematical models that profit is in fact accumulated. In those models, into which we have arbitrarily written rows and rows of numbers, with which mathematical operations run faultlessly, and in which money capital is entirely neglected.

Clearly, all criticism must hopelessly shatter itself against these sturdy 'experts', because the experts simply look from the point of view of the individual capitalists, which is to some degree sufficient for the analysis of exploitation, i.e. of the process of production, and thus to understand the first volume of *Capital*, but is totally insufficient where the circulation and reproduction of capital are concerned. The second and third volumes of Marx's *Capital*, which are illumined by the basic concept of gross social capital, are for them dead capital, in which they have learnt letters, formulae, 'models', but have missed the essence. Marx himself was certainly no 'expert'. For he was not content with the arith-

* Eckstein, *Vorwärts*, 16 February 1913, supplement.

metical 'process' of his models; again and again, he asked: how is it possible for general accumulation to take place, for new money capital to be formed in the class of capitalists? It has always been the privilege of the 'epigones' to take fertile hypotheses, turn them into rigid dogma, and be smugly satisfied, where a pioneering mind was filled with creative doubt.

The 'experts', point of view, however, leads to a string of intriguing consequences, which they have obviously not taken the trouble to think over.

First consequence: if capitalist production can act limitlessly as its own consumer, i.e. production and market are identical, it becomes totally impossible to explain the periodic appearance of crises. If production can, 'as the models show', accumulate at will by using its own growth for new expansion, it is puzzling how and why circumstances can arise where capitalist production cannot find a sufficient market for its commodities. According to the formula of the experts, all it has to do is swallow up the commodity surplus itself, and put it into production (partly as means of production, partly as provision for the workers), 'in each subsequent year' as Otto Bauer's 'Table IV' shows. The indigestible commodities would then be converted into the new blessing of accumulation and profit-making. At all events, it turns the specific Marxist concept of crisis into an absurdity, according to which crises come from the tendency of capital to outgrow each given limit to the market in ever shorter time. For how could production outgrow the market, since it is its own market, thus the market automatically grows as fast as production? In other words, how could capitalist production periodically outgrow itself? It could do it as easily as someone can jump over his own shadow. The capitalist crisis becomes an inexplicable phenomenon. Or there is only one explanation left for it: the crisis does not come from the incongruity between the ability of capitalist production and that of the market to expand, but only from the disproportionate relations between different branches of capitalist production. In themselves, these could be quite sufficient consumers for themselves, except that, as a result of anarchy, several things are not correctly proportioned, too much of one, too little of the other being produced. This would mean rejecting Marx and finally ending up with the man whom Marx ridiculed so

thoroughly, the patriarch of vulgar economics, of the Manchester theory and bourgeois harmony, the 'wretched man', Say, who in 1803 propounded the dogma: It is absurd to say that too much of all commodities can be produced, there can only be partial crises, but no general ones: if for this reason a country has too much of one kind of product, that only proves that it has produced too little of some other kind.

Second consequence: capitalist accumulation becomes (objectively) limitless once capitalist production has built a sufficient market for itself. As production will still grow, i.e. the productive forces will develop without limit, even when all mankind is divided into capitalists and proletarians, as there is no end to the economic development of capitalism, the one specifically Marxist foundation crumbles. According to Marx, the rebellion of the workers, the class struggle, is only the ideological reflection of the objective historical necessity of socialism, resulting from the objective impossibility of capitalism at a certain economic stage. Of course, that does not mean (it still seems necessary to point out those basics of Marxism to the 'experts') that the historical process has to be, or even could be, exhausted to the very limit of this economic impossibility. Long before this, the objective tendency of capitalist development in this direction is sufficient to produce such a social and political sharpening of contradictions in society that they must terminate. But these social and political contradictions are essentially only a product of the economic indefensibility of capitalism. The situation continues to sharpen as this becomes increasingly obvious. If we assume, with the 'experts', the economic infinity of capitalist accumulation, then the vital foundation on which socialism rests will disappear. We then take refuge in the mist of pre-Marxist systems and schools which attempted to deduce socialism solely on the basis of the injustice and evils of today's world and the revolutionary determination of the working classes.*

* Or else we are left with the somewhat oblique comfort provided by a little 'expert' from the *Dresdener Volkszeitung* who, after thoroughly destroying my book, explains that capitalism will eventually collapse 'because of the falling rate of profit'. One is not too sure exactly how the dear man envisages this – whether the capitalist class will at a certain point commit suicide in despair at the low rate of profit, or whether it will somehow declare that business is so bad that it is simply not worth the trouble, whereupon it will

Third consequence: when capitalist production builds itself a sufficient market and permits expansion of the total accumulated value, there appears another riddle of modern development: competition for the most distant markets and capital exports, the most dominant feature of modern imperialism. Indeed incomprehensible! Why all this fuss? Why conquer colonies, why the opium wars of the forties and sixties, why the squabble for swamps in the Congo, for Mesopotamian deserts? Capital should stay at home and earn an honest living. Krupp should go along and produce for Thyssen, Thyssen for Krupp, let them invest their capital in their own enterprises and expand them mutually, and so on and so on. The historical movement of capital, and with it modern imperialism, becomes quite incomprehensible.

But there is still Pannekoek's invaluable statement in the *Bremer Bürgerzeitung*: the search for non-capitalist markets is 'a fact, but not a necessity' – a real pearl of historical materialism, and he is dead right! According to the assumption of the 'experts', socialism as the final stage, with imperialism as its predecessor, ceases to be a historical necessity. The one becomes the laudable decision of the working class; the other is simply a vice of the bourgeoisie.

So the 'experts' are faced with having to choose between two alternatives. Either – as they deduce from Marx's models – capitalist production is identical with its market, and the historical materialist explanation for imperialism disappears, or capital accumulation can only take place in so far as customers can be found beyond capitalists and workers, in which case growing sales in non-capitalist strata and countries are the essential precondition for accumulation.

Despite my isolation I do have a truly non-suspect and also very 'expert' crown witness for the above consequences.

In 1902 a book was published by the Russian Marxist, Professor Michael V. Tugan-Baranovsky, *The Theory and History of Crises*

hand the key over to the proletariat? However that may be this comfort is unfortunately dispelled by a single sentence by Marx, namely the statement that 'large capitals will compensate for the fall in the rate of profit by mass production'. Thus there is still some time to pass before capitalism collapses because of the falling rate of profit, roughly until the sun burns out.

in England. Tugan revised Marx by gradually replacing his theory with the clichéd wisdoms of bourgeois vulgar economists. Amongst other paradoxes, he claims that crises are merely the result of maladjustments, not of the ability of production to expand faster than the ability of the population to consume. What was so novel and astonishing about this wisdom (which he borrowed from Say) was that he used Marx's models of social reproduction in the second volume of *Capital* to prove it!

'It is only possible', says Tugan, 'to expand social production if the productive forces are sufficiently developed. Thus, demand must also undergo a similar expansion in the proportional division of social production, since under these conditions every newly produced commodity represents new purchasing power for the acquisition of other commodities' (p. 25). The 'proof' for this comes from Marx's models, which Tugan has only reproduced with different figures, and which lead him to conclude: 'The object of the above models is to prove something which in itself is very simple, but is frequently objected to be due to an insufficient understanding of the process of the reproduction of social capital, to prove in fact the basic thesis that *social production creates its own market*.' (My emphasis, R. L.)

Carried along by his preference for paradoxes Tugan-Baranovsky arrives at the conclusion that capitalist production is 'in a certain sense' quite independent of human consumption. Anyway, we are not interested here in Tugan's jokes, but only in the 'actually very simple basic principle' on which he constructs all that follows. And there we have to note:

What my 'expert' critics are holding against me now was said by Tugan-Baranovsky, word for word, in 1902, specifically in two typical assertions: (1) capitalist production builds a market for itself through its own expansion, so that the sales outlet should pose no difficulties for accumulation (apart from lack of proper proportion); (2) the proof that this is so is provided by mathematical models such as those used by Marx, i.e. exercises in addition and subtraction on uncomplaining paper. Thus spoke Tugan-Baranovsky in 1902. Then the man had a tough time. Immediately, Karl Kautsky started on him in *Neue Zeit*; he mercilessly criticized the absurdities of the Russian revisionist, including the above-mentioned 'basic principle'.

If that were true (wrote Kautsky), the greater its capital wealth is, the faster England's industry would have to grow. But instead, it is coming to a standstill, capital is emigrating to Russia, South Africa, China, Japan and so on. This phenomenon is explained by our theory, according to which under-consumption is the ultimate cause of crises; it is incomprehensible from Tugan-Baranovsky's point of view.*

Now, what is the theory that Kautsky opposes to Tugan's? Here it is, in Kautsky's own words:

Although capitalists increase their wealth and the number of exploited workers grows, *they cannot themselves form a sufficient market for capitalist-produced commodities, as accumulation of capital and productivity grow even faster. They must find a market in those strata and nations which are still non-capitalist.* They find this market, and expand it, but still not fast enough, since this additional market hardly has the flexibility and ability to expand of the capitalist process of production. Once capitalist production has developed large-scale industry, as was already the case in England in the nineteenth century, it has the possibility of expanding by such leaps and bounds that it soon overtakes any expansion of the market. Thus, any prosperity which results from a substantial expansion in the market is doomed from the beginning to a short life, and will necessarily end in a crisis.

This, in short, is the theory of crises which, as far as we can see, is generally accepted by 'orthodox' Marxists and which was set up by Marx.†

Let us forget that Kautsky calls this theory by the dubious name of an explanation of crises caused 'by under-consumption'. Marx ridicules this in the second volume of *Capital* (p. 410).

Let us forget that Kautsky sees only the problem of crises, without noticing that capitalist production poses a problem apart from ups and downs in the state of business.

Finally, let us forget that Kautsky's explanation – that the consumption of capitalists and workers does not grow 'fast enough' for accumulation, which therefore needs an 'additional market' – is rather vague and makes no attempt to understand the problem of accumulation in its exact terms.

We are only interested in what Kautsky shows in black and

* *Neue Zeit*, 1902, No. 5 (31), p. 140.

† *Neue Zeit*, No. 3 (29), p. 80. (My emphasis, R. L.)

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white as his own and the commonly accepted opinion among 'orthodox Marxists':

1. That capitalists and workers alone do not represent a sufficient market for accumulation.

2. That capitalist accumulation needs an additional market in *non-capitalist strata and nations*.

So far one thing is certain: in 1902, when attacking Tugan-Baranovsky, Kautsky refuted the same assertions which the 'experts' use to oppose my *Accumulation*, and the 'experts' attack as a horrible deviation from the true faith the same assertions, only this time dealing with the problem of accumulation in an exact manner, which Kautsky used in opposition to the revisionist Tugan-Baranovsky as the theory of crises 'generally accepted' by orthodox Marxists.

And how does Kautsky prove the untenability of his opponent's thesis? Just by using Marx's models? Kautsky shows Tugan that, even when properly used, these models do not prove his thesis but, on the contrary, prove the theory of crises as caused by 'under-consumption'.

The world shakes to its very foundations. Has the supreme expert 'understood' the 'nature, aim and significance of Marx's models' even less than Tugan? . . .

But Kautsky draws some interesting conclusions from Tugan-Baranovsky's assertion. That this assertion straightforwardly contradicts Marx's theory of crises, that it makes the export of capital to non-capitalist countries an inexplicable phenomenon, we have already seen. And now the general tendency of this position:

What practical importance . . . do our theoretical differences have? (asks Kautsky) Whether crises are caused by unstable proportions in social production or by under-consumption – is that anything more than an academic question?

That is what many 'practical' men might think. But in fact the question is of great practical importance, especially for tactical differences which are being discussed in our party. It is no mere accident that revisionism attacks Marx's theory of crises with particular vigour.

And Kautsky demonstrates explicitly that Tugan-Baranovsky's theory of crises basically leads to an alleged 'moderation of class

contradictions'. That means it is in the tradition of the theory that believes in the 'change of social democracy from a party of proletarian class struggle into a democratic party on the left wing of a democratic party of socialist reform'.*

This is how the supreme expert slew the heretic Tugan-Baranovsky fourteen years ago on thirty-six printed pages of *Neue Zeit*, finally walking away with his victim's scalp in his belt.

And now I must stand by and watch the 'expert' pupils of this master damn my analysis of accumulation with the same 'basic principle' that cost the Russian revisionist his life in the hunting grounds of *Neue Zeit*! It is not quite clear what happens in this adventure to the 'theory of crises which, as far as we can see, is generally accepted by orthodox Marxists'.

But something even more original happened. After my *Accumulation* had been destroyed with Tugan-Baranovsky's weapons in *Vorwärts*, the *Bremer Bürgerzeitung*, *Dresdener Volkszeitung* and the *Frankfurter Volksstimme*, Otto Bauer's critique appeared in *Neue Zeit*. This expert also believed in the magical power of mathematical formulae to prove questions of social reproduction, as we have seen. But he is still not completely satisfied with Marx's models. He finds them 'not incontestable', 'arbitrary and not without contradictions', which he explains by the fact that Engels 'found this part unfinished' in his master's notebooks! He therefore goes to all the trouble of constructing his own formulae: 'That is why we have constructed models which, once one accepts the assumptions, are not arbitrary.' Only with this new model does Bauer believe he has found 'an incontestable basis on which to approach the problems posed by Comrade Luxemburg'.† But above all, Bauer has understood that capitalist production cannot float around in thin air 'undisturbed'. He therefore looks for some objective social basis for capital accumulation, which he finally finds in the *growth of the population*.

And here begins the most absurd bit. The unanimous judgement of the 'experts', with the corporate blessing of the editorial staff of *Vorwärts*, declares my book to be arrant nonsense, total misunderstanding, the problem of accumulation simply does not exist, Marx already solved it, the models give a sufficient answer. Bauer

* *Neue Zeit*, No. 5 (31), p. 141.

† *Neue Zeit*, 1913, No. 23, p. 838.

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is now forced to place his models on a slightly more material basis than the simple rules of addition and subtraction: he takes account of a certain social phenomenon – population growth; it is on the basis of this that he constructs his tables. The expansion of capitalist production, as his models are supposed to demonstrate, is not an autonomous movement of capital around its own axis, but follows the corresponding growth of the population:

Accumulation presupposes expansion of the range of production, and this expands through population growth. . . . *In capitalist production there is a tendency for capital accumulation to adjust to the growth of population. . . .* The tendency for accumulation to adjust to the population growth determines the international relations [of capital, Trans.]. . . . When the capitalist world economy is seen as a whole, the tendency in the industrial cycle to adjust accumulation to the population growth becomes visible. . . . *The periodic return of prosperity and of the crisis of depression is the empirical expression of the fact that the mechanism of capitalism acts to cancel overaccumulation and underaccumulation and continually readjusts accumulation to the population growth.**

Later we will take a closer look at Bauer's population theory. But one thing is certain: the theory actually represents something quite new. For the other 'experts', all questions about the social and economic foundation of accumulation seemed pure nonsense, 'indeed difficult to discover'. Bauer, on the other hand, constructs a whole theory to answer this question.

Yet Bauer's theory is not only a novelty to the other critics of my book; it makes its very first appearance in the whole of Marxist literature. Neither in the three volumes of Marx's *Capital* nor in *Theories of Surplus Value* or in Marx's other writings do we find a trace of Bauer's population theory as the basic principle of accumulation.

Let us take another look at the way in which Karl Kautsky announces and reviews the second volume of *Capital* in *Neue Zeit*. In the detailed contents of accumulation in the second volume Kautsky deals very thoroughly with the first paragraphs on circulation, showing all the formulae and cyphers as Marx uses them. He then dedicates three whole pages out of a total of twenty to the most important and original part of the volume, the 'Reproduction and Circulation of Aggregate Social Capital'. In

* *Neue Zeit*, 1913, No. 24, pp. 871–3. (All emphasis by Bauer.)

these three pages he deals exclusively – with, of course, complete reproduction of the unavoidable formulae – with the introductory fiction of ‘simple reproduction’, i.e. capitalist production without profit, which Marx himself only takes as a theoretical starting point from which to approach the actual problem, the accumulation of the aggregate capital. Kautsky settles this latter problem in literally two lines: ‘Accumulation of surplus value, the expansion of the productive process, brings further complications.’ Full stop. Not another word at the time, just after the publication of the second volume, and not another word in the thirty years since then. Thus not only do we find no trace of Bauer’s population theory, Kautsky also completely failed to notice the whole section on accumulation.

He does not notice any special problem (like Bauer creating an ‘unobjectionable principle’ for its solution), nor the fact that Marx stops in the midst of his own investigation without an answer to the question he posed himself several times.

Once again (in the previously mentioned series against Tugan-Baranovsky) Kautsky talks about the second volume of *Capital*. Here he formulates the crisis theory, ‘commonly accepted by orthodox Marxists’, of which the central point is that consumption by capitalists and workers is insufficient as a basis for accumulation, and that an additional market is necessary in the ‘pre-capitalist producing strata and nations’. Kautsky does not seem to be aware that this ‘commonly accepted’ theory of crises neither fits Tugan-Baranovsky’s paradoxes nor his own model of Marxist accumulation with its general preconditions. This is because the premise in Marx’s analysis in the second volume is a society of capitalists and workers only. The models are to show in detail as economic law, how those two insufficient consumer classes make accumulation possible year after year merely by consuming. Kautsky does not even give us the slightest hint of a population theory such as that used by Bauer as the true principle of Marx’s model of accumulation.

Let us look at Hilferding’s *Finance Capital*.* In Chapter XVI,

[* Rudolf Hilferding (1877–1944). Austrian. One of the editors of *Marx-Studien*. Left Vienna in 1907 to go to Berlin where he was given the post of leader-writer on *Vorwärts*. His main contribution to Marxist theory was *Das Finanz Kapital*, published in 1910. This was one of the first Marxist inter-

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after an introduction in which he praises Marx's illustration of the conditions of reproduction of gross capital as the most brilliant effort in this 'astonishing work' – and indeed he is correct – he copies word for word on fourteen pages the relevant pages in Marx, including of course the mathematical models. Here he moans that these models have been neglected and only attracted some attention thanks to Tugan-Baranovsky. And what does Hilferding himself notice in the whole brilliant effort? Here are his conclusions:

Marx's models show

that in capitalist production reproduction can take place on a simple as well as an extended scale, if only *these relations can be kept stable*. On the other hand even simple reproduction can produce crises if the proportions are upset; for instance that between used-up capital and capital that must be invested. *It does not necessarily follow that the cause of the crisis lies in the under-consumption of the masses, which is inherent in capitalist production.*

*Neither does the possibility of general over-production follow from the models: rather one can show that any expansion of production is possible which takes place within the limits of the existing productive forces.**

That is all. Hilferding, too, sees Marx's analysis of accumulation as only a guide for the solution of the crisis problem. The mathematical models show the proportion which, if it is followed, allows undisturbed accumulation. From this Hilferding draws these conclusions:

1. Crises only develop from disproportionality. In this he sinks the 'commonly accepted theory of crisis' into the deep sea and he takes over Tugan-Baranovsky's theory, condemned by Kautsky

pretations of the growth of monopoly and imperialism. In 1914 he was part of the minority in the SPD which was against the voting for war credits in the Reichstag by the SPD parliamentary group. He later became a leader of the USPD (Independent Social Democratic Party) formed in 1917. This party was opposed to the war and Luxemburg, Leibknecht and Mehring took their followers into this until the creation of the Spartakusbund. In 1918, with the creation of the Republic, Hilferding became a German citizen. In 1922 he led the remnants of the USPD back into the SPD. The majority of the Independents had voted to join the Third International in 1920 and had fused with the KPD (Spartakusbund). Hilferding became Finance Minister in the Social Democratic governments of 1923 and 1928.]

* Hilferding, *Finance Capital*, p. 318.

as revisionist heresy. Following this, he concludes with the theory of this 'wretched man', Say: general over-production is impossible.

2. Apart from crises as periodic interferences due to the lack of proportionality capital accumulation (in a society of only capitalists and workers) can expand as far as the actual productive forces allow, in which he again copies Tugan word for word.

Apart from crises, a problem of accumulation does not exist for Hilferding since the models show that 'any expansion' is limitlessly possible, i.e. that production and sales grow simultaneously. Again, no trace of Bauer's 'growth of population' theory and no idea that such a theory was necessary.

Finally, even for Bauer himself his present theory was a new discovery. Only in 1904, after the arguments between Kautsky and Tugan-Baranovsky, does he especially deal with the theory of crises in the light of Marx's theory. In two articles in *Neue Zeit* he himself explains that for the first time he wants to give a coherent elaboration of this theory. But he attributes the crises mainly to the special form of circulation, the 'fixed capital', making use of a phrase in the second volume of *Capital*, which tries to explain the ten-year cycle of modern industry. Not once does Bauer mention the basic importance of the relation between the expansion of production and the growth of population. Bauer's whole theory, the 'tendency to adjust to the growth of population' which now explains the crises and the booms, the accumulation and the international movement of capital from country to country, and finally even imperialism: this supernatural law, which moves the whole mechanism of capitalism and 'rules it automatically' existed for neither Bauer nor the rest of the world. Now, in answer to my book, it has become the basic theory, the only theory, to put Marx's models on an 'incontestable foundation'. Suddenly and casually this basis appears, in order to solve the problem which allegedly did not exist at all.

What shall we think about all the other 'experts'? Let us summarize what has been said:

1. According to Eckstein and Hilferding (and Pannekoek as well) a problem of capital accumulation does not exist. Everything, needless to say, is as clear as Marx's formulae demonstrate. It is only because I am totally incapable of understanding the formulae

that I am critical of them. According to Bauer, the figures used by Marx are 'arbitrarily chosen and not free of contradictions'. Only he, Bauer, has found an 'adequate illustration for Marx's thoughts' and put up a 'model free from arbitrariness'.

2. According to Eckstein and the editorial staff of *Vorwärts*, my book has to be 'rejected' as totally worthless. According to the little 'expert' of the *Frankfurter Volksstimme* (1 February 1913) it is even highly damaging. According to Bauer there 'is still a valid kernel hidden in the wrong explanation': it points out the limit of accumulation of capital (*Neue Zeit*, 1913, No. 24, p. 873).

3. According to Eckstein and *Vorwärts*, my book has not the slightest thing to do with imperialism; 'as things stand the book has so little to do with the new phenomena of today's pulsating economic life, that it could have been written just as well twenty or more years ago'. According to Bauer, my research discovers in fact 'not the sole . . . but only one root of imperialism' (*ibid.*, p. 874) which for a little person like me is quite a nice achievement.

4. According to Eckstein, Marx's models show 'the actual extent of social needs'; they show 'the possibility of equilibrium' from which capitalist reality is distant since it is governed by striving for profit, resulting in crises. Early in the next paragraph 'the illustration corresponds to Marx's model, but also to reality', because the model demonstrates precisely 'how this profit is realized for the capitalist'.*

According to Pannekoek, there is no state of equilibrium, but only 'empty blue sky'; 'the extent of production can be compared to a weightless thing floating at any level'. 'For the extent of production is in no state of equilibrium to be drawn back when it deviates.' 'The industrial cycle is not a fluctuation around an average, which is defined by some demand.'†

According to Bauer, Marx's models – he having finally found their true meaning – mean nothing but the movement of capitalist production in adjustment to population growth.

5. Eckstein and Hilferding believe in the objective economic possibility of limitless accumulation; 'the models show who buys the products' (Eckstein). Pannekoek's 'weightless thing' can all

* *Vorwärts*, 16 February 1913, supplement.

† *Neue Zeit*, 1913, No. 22, 'Theoretisches zur Ursache der Krisen', pp. 783, 792.

the more 'float at any level', as he says himself. According to Hilferding, 'any expansion of production is possible that takes place within the limit of the existing productive forces' because, as the models show, 'the outlet grows automatically with production'. According to Bauer, 'only the apologists for capitalism can talk of the endlessness of accumulation' and assert that 'with the production the consumption power grows automatically'.*

How does it stand now? What do the gentlemen of the jury mean? Was there a problem of accumulation with Marx which none of us had noticed until now, or is the problem still (even after its latest solution by Bauer) the product of my 'total inability to work with Marx's models', as the *Vorwärts* reviewer said? Are Marx's models the ultimate truth, infallible dogma or are they 'arbitrary and not free from contradictions'? Does the problem I dealt with delve to the roots of imperialism, or has it not the 'slightest thing to do with the phenomena of today's pulsating economic life'? And what do those (as Eckstein calls them) 'now famous' models of Marx finally illustrate – only a theoretical state of equilibrium of production, or a picture of reality, a proof of the possibility of 'expansion', or a proof of its impossibility in the face of under-consumption, or an adjustment of production to population growth, or Pannekoek's 'weightless' children's balloon, or something else altogether, perhaps a camel or a weasel? It is about time the 'experts' started making up their minds.

Meanwhile let us look at a beautiful picture of clarity, harmony and perfection of official Marxism in relation to the fundamental section of the second volume of *Capital*. A fitting reply to the arrogance of these gentlemen who attacked my book so viciously.†

* *Neue Zeit*, 1913, No. 24, p. 873.

† The reviewer of *Vorwärts*, Eckstein, of all my critics, has understood least what it is all about. He belongs to the category of journalists who came up with the growth of the working-class press. He can write anything about anything: Japanese family laws, modern biology, the history of socialism, ethnography, culture, economics, tactical problems – whatever is needed at the time. These universal writers move about in every sector of knowledge with such scrupulous safety that they are the envy of any serious scientist. Where they have no understanding of the matter, they replace it by becoming impudent and tough. Here are two examples: 'Let us recognize here and now', says Eckstein at one point in his review, 'that the author has misunderstood the meaning and purpose of Marx's analysis, and this recognition is

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Since Otto Bauer has relieved me of the bother of arguing with the other 'experts', I can now turn to Bauer himself.

confirmed by the remainder of her book. Above all, she is completely incapable of understanding the technique of these models. This is already quite clear on p. 100 of her book.' There I am dealing with the fact that in his models Marx includes the production of money in the department of means of production. I criticize this in my book and attempt to demonstrate that, since in itself money is *not* a means of production, this confusion must inevitably result in great difficulties for a precise treatment of the subject. Eckstein carries on impudently: 'Comrade Luxemburg objects that Marx incorporates the production of money-materials, i.e. gold and silver, in row I and calculates it with the production of means of production. That is supposed to be incorrect. *For this reason she adds a third row to those constructed by Marx, which is supposed to represent the production of money-materials.*' And now he is bitterly disappointed! 'In the model constructed by Comrade Luxemburg the difficulty is . . . not only very great, it is insuperable. . . . She herself does not make the slightest effort to portray these "organic tangles". The very attempt would have shown her that her model is not feasible', and so on. But the 'model constructed by Comrade Luxemburg' on p. 100 was not 'constructed' by me at all – but by Marx! I simply wrote down the figures given in *Capital*, Vol. II, p. 470, in order to show that, *according to Marx*, it is impossible to incorporate the production of money, as I explained explicitly in the following: 'Besides, a mere glance at Marx's model of reproduction demonstrates what inconsistencies must follow from confusing means of exchange with means of production.' And along comes Eckstein to blame me for Marx's model, which I criticize, and to scold me because of this model, like a stupid hussy, for having completely failed to understand 'the technique of these models'.

Another example: on p. 510 of *Capital*, Vol. II, Marx constructs his first accumulation model, in which he allows the capitalists of the first department always to capitalize 50 per cent of their surplus value, but lets it happen any old way in the other department, with no visible rules, purely according to the need of the first department. I attempt to criticize this assumption as an arbitrary one. Then along comes Eckstein with the following effusion: 'The mistake lies in the very way she has made her calculations, and this shows *that she has not grasped the essence of Marx's models*. She thinks that these are based on the requirement of an equal rate of accumulation, i.e. she assumes that accumulation always proceeds equally in both main departments of social production. But this assumption is quite arbitrary and contradicts the facts. . . . In reality there is no such general rate of accumulation and it would be a theoretical nonsense.' Therein resides the 'scarcely comprehensible error of the author, which shows that she is completely puzzled by the *essence of Marx's models*'. The real law of equal rate of profit stands 'in complete contradiction to the fictitious law of equal accumulation' and so on with that meaty thoroughness, salted and peppered, with which Eckstein ensures my destruction. If indeed . . . then indeed. But *five pages later* [three pages in the

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FLPH edition] Marx gives a second example of his accumulation model, the real and fundamental model, which he then uses exclusively till the end, whilst the first one was merely an attempt, a preliminary sketch. And Marx continually assumes the *equal rate of accumulation*, 'the fictitious law', in both departments in this second and definitive example! The 'theoretical nonsense', in 'complete contradiction to the real law of equal rate of profit' – these capital offences and capital crimes can be found in their entirety on p. 513 of *Capital*, Vol. II, and Marx is unrepentant right up to the last line of the volume. Thus the effusion goes all over the unfortunate Marx, who was obviously 'completely puzzled' by the 'essence' of his own models. At least he does not have to share this hard luck with me alone; Bauer, too, takes his fair share of it, since in his own 'incontestable' models he similarly stated his explicit assumption 'that the rate of accumulation is equal in both spheres of production' (*Neue Zeit*, *op. cit.*, p. 838). And to think that one is treated to such insolences by a fellow who has not even read Marx's *Capital* properly! It is characteristic of the domination of the two central organs of Social Democracy by the 'Austro-Marxist'* school of epigones that such a 'review' could even appear in *Vorwärts*. If God grants that I am alive to see the second edition of my book I shall not be robbed of the opportunity to save this pearl for posterity by printing it in full in an appendix!

[* Austro-Marxist school. This was a collective term used to denote Friedrich Adler, Rudolf Hilferding, Otto Bauer, Max Adler, Gustav Eckstein, Karl Renner *et al.* This was not an homogeneous school of thought but rather a collection of individuals who attempted to apply Marxism to a number of particular problems which they considered to have developed since Marx had died, or had not been dealt with by him. Their ideas were set out in a series of books under the general title of *Marx-Studien* (*Marx Studies*), and in the journal *Der Kampf*, founded in 1907 by Otto Bauer, Karl Renner and Adolf Braun.]

BAUER'S GENERAL CRITICISMS

Naturally I shall not let myself be drawn into a discussion of Bauer's tabulated calculations. His position and his critique of my book depend mainly on the theory of population which he counterposes to my ideas as the basis of accumulation, and which in itself really has nothing to do with any mathematical models. It is this theory which we must investigate. However, we must first get acquainted with the ways and means, with the *method*, in which Bauer performs his tabulated manipulations. Even if they are absolutely worthless when it comes to solving the purely social and economic problems of accumulation, they are still very characteristic of Bauer himself, and of the consciousness with which he approaches a solution to the problem. This procedure can be illustrated with a few very simple examples which may even be judged by common mortals who are usually horrified by mind-boggling tables and cabalistic signs.

Three examples are sufficient.

On p. 836 of *Neue Zeit** Bauer demonstrates how the accumulation of social capital takes place. He assumes (like Marx) the two large departments of production (I, production of means of production; II, production of means of consumption). The first department begins with 120,000 as constant and 50,000 as variable capital (which can represent thousands or millions of marks, in short money value). In the second department he assumes a constant capital of 80,000 and a variable capital of 50,000. The figures are, of course, arbitrary, but their *relations* to each other are important, for they express certain economic assumptions from which Bauer proceeds. Thus the constant capital in both departments is greater than the variable, which expresses the stage of technical progress. This predominance of constant capital over variable is greater in the first department than in the second, as technology usually progresses at a faster rate in the first department. Finally, in accordance with this, the total capital of the

* 1913, No. 23.

first department is larger than that of the second. These are all Bauer's own assumptions and, since they agree with Marx's, they are quite laudable. So far so good.

Now for accumulation. This begins with Bauer increasing both constant capitals by 10,000 and both variable capitals by 2,500.* But he thus immediately abandons his economic premises. For (1) the smaller capital of the second department cannot possibly grow by the same amount as the larger capital of the first department, since this would upset their mutual relations, which are determined by technological progress; (2) the additional capitals cannot possibly be distributed in the same way in both departments between constant and variable capital, since the original capitals were not distributed in the same proportion. Once again, Bauer is destroying the technical basis which he himself assumed.

So Bauer begins by arbitrarily destroying his own premises with the first step he takes. Why is that? Simply for the sake of arithmetical results, to obtain a smooth calculation by addition and subtraction which would otherwise have been impossible.

After expanding production in this way Bauer tries to show us how the second act of accumulation operates, this *salto mortale*, the realization of surplus value. He is trying to demonstrate the exchange of the increased amount of goods in such a way that we reach a further step of accumulation, i.e. another expansion of production. This happens on p. 863.

We are here concerned with the exchange of the two piles of commodities which are the result of the first year's production: 220,000 means of production and 180,000 means of consumption. At first it proceeds as usual: each department uses the biggest portion of its commodities – partly directly, partly through exchange – to renew the old, used-up capital, and also to provide for the capitalists' own consumption. So far everything is in order; so far, of course, Bauer is following in Marx's footsteps. But now the situation becomes delicate: expansion of production for the next year, accumulation. This procedure is introduced with the well-known quotation: 'Moreover, the capitalists want to use the surplus value accumulated in the first year to expand existing operations and found new ones.' It is no longer our task to concern ourselves with the question we dealt with earlier on: whether the

* *loc. cit.*

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'will' of the capitalists is sufficient. We agree here with Bauer that 'a man's will' can go a long way, and are concerned only with the manipulation which puts the independent will of the capitalist to work.

The capitalists in Bauer's first department 'want' to reinvest 12,500 of their surplus value. Why so much? Because Bauer needs this figure for his calculations to work out. Well, we will submit without complaining to Bauer's plan, and we will only allow ourselves one thing: to stick to his own freely chosen assumptions. To continue, the capitalists in the first department have decided to invest 12,500 of their surplus value in production. They have already put 10,000 of their commodities into their own constant capital, and passed on a further 2,500 to the other department to purchase provisions for the additional workers in their expanded factories, and now a situation arises where they still have 4,666 left over from the total stock of goods. They have already consumed, exchanged their old used-up capital, invested new capital for expansion, and now they still have this embarrassing remainder. What can they do with the 4,666 left over?

Of course, let us not forget that the capitalists 'want' to accumulate in the second department as well as in the first. These capitalists in the second department also propose to invest 12,500, although as we have seen they own a much smaller capital, and they even want to distribute them in the same way – their vanity to imitate their richer colleagues even makes them neglect technical factors. However that may be, in order for this expansion to take place they need an additional portion of means of production from the first department; could this be an opportunity to get rid of the unconsumable remainder from that department? No, that has already been taken care of, it has already happened. The expansion of Dept II has already proceeded 'according to plan', namely according to the plan invented by Bauer himself. There is not even room there for one more nail. And yet, after all this, there is still a remainder of 4,666 in the first department. What are we to do with this? 'Where do they find their outlet?' Bauer asks. And now the following happens:

The capitalists in the consumer goods industries transfer a part of the surplus value accumulated during the first year to the means of production industries: either they themselves found factories to produce

means of production, or they transfer part of their accumulated surplus value via banks to the capitalists in the means of production industries for their use, or they buy shares in companies which manufacture means of production. . . . Thus, the means of production industry sells commodities worth 4,666 to that capital which has been accumulated in the consumer goods industry, but is to be invested in the means of production industry. Therefore, apart from means of production worth 85,334 (which fully covers their own demand), the consumer goods industry buys means of production worth 4,666, which are meant to produce means of production.*

So that is the solution: the first department sells the indigestible remainder of 4,666 to the second department, which does not make use of it for itself, but 'transfers' it . . . back to the first department where it is used to further expand constant capital I.

Once again, we do not have to go into the economic fact of Bauer's 'transfers' of surplus value from Dept I to Dept II. At this point we are blindly following Bauer through thick and thin; we just want to notice whether his own freely chosen operations are taking place fairly and cleanly, whether he is abiding by his own assumptions.

Capitalists I 'sell' their commodity-remainder of 4,666 to capitalists II who 'buy' it by transferring 'part of their accumulated surplus value' to Dept I. But wait a minute! What do they 'buy' it with? Where is the 'part of the surplus value' which pays for the purchase? There is no trace of it in Bauer's tables! The entire amount of commodities in Dept II has already been used for the consumption of the capitalist class of both departments as well as for the renewal and enlargement of variable capital (see Bauer's own calculations on p. 865), at least except a remainder of 1,167. This 1,167 in consumer goods is all that is left over from the surplus value of the second department. And now Bauer uses this 1,167, not as a sort of down payment on the 4,666 in means of production, but as variable capital for the additional workers, who were needed for the allegedly 'bought' 4,666 in means of production. Whichever way you look at the thing, the capitalists II have used up all their surplus value; they turn out their pockets and cannot find a penny to buy the stored 4,666 in means of production.

* *op cit.*, No. 24, p. 863.

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On the other hand, *if* this purchase had really taken place we would have to find the 4,666 worth of exchange consumer goods in Dept I. But where are they and what does Dept I do with them? Not a word about this from Bauer. The mystical 4,666 in consumer goods which would have to be exchanged at the 'purchase' have disappeared without a trace. Or should we imagine the proceedings as follows: perhaps the capitalists in Dept II possess some spare capital which does not appear in the table; perhaps they have some deposits in the Bank of Germany, and draw 4,666 in money to buy those means of production? Pardon me! It would be an insult to Marx's models if Bauer had thought of that, if he had constructed his tables as illustrations of 'aggregate social capital' with one eye on secret drawers containing capital reserves which he can draw on if his tables don't make any sense. Aggregate social capital is aggregate social capital! There can be no messing about with that. Everything has to be shown honestly, even the bank deposits, and the entire circulation has to take place within the framework of the model, or else the model is not worth the paper it is written on!

The fact remains that the manipulations of Bauer's capitalists are sheer swindles. These gentlemen pretend to be buying and selling 4,666 in means of production, but in reality there are no means with which to buy them. When capitalists I give the remainder of their commodities to capitalists II it is a lovely birthday present. And, in order not to act shabbily, capitalists II reply to this noble gesture with equal high-mindedness; they give the present straight back to their colleagues and even generously add their own remainder of consumer goods worth 1,167 (they would not know what to do with it, anyway). There you are, folks, take it, God bless you, there you have the variable capital to set your superfluous machines in motion. Thus, as the last act of accumulation in Dept I (after it has been ended 'according to plan' in Bauer's view) we still have a new constant capital of 4,666 and a variable capital of 1,167. And Bauer adds, turning towards his audience with a tender smile: *voilà*.

In this way the total productive value of both spheres, thus also the entire surplus value, is realized . . . similarly, table IV clearly shows that the total productive value of both spheres, including the total surplus value, is realized without disturbance not only in the first year,

but in each subsequent year too. Comrade Luxemburg's assumption that the accumulated part of surplus value cannot be realized is therefore incorrect.*

The result is very nice, but the excitement is somewhat modified by the manipulations that brought it into being. To put it plainly: after the exchange between the two departments has taken place in order to renew and expand the capital, an indigestible remainder of means of production worth 4,666 is left in Dept I, and a similar remainder of consumer goods worth 1,167 is left in Dept II. What are we to do with both of them? First exchange them, at least up to the smaller sum? But there would still be a totally useless remainder in Dept I; we would only have changed the numbers, but not the embarrassment. Secondly, what economic purpose and meaning could this exchange have? What is Dept I to do with the consumer goods it has purchased in this way for its additional workers, as it would not have enough means of production to occupy these workers? Similarly what is Dept II to do with the means of production it has bought, since in this exchange it gave away the consumer goods it would need for its additional workers? Exchange is therefore impossible, the two remainders in the model are unsaleable.

Bauer uses the following tricks to get himself out of this mess. Firstly, he *fabricates* the 'sale' of the unsaleable remainder of commodities from Dept I to Dept II, without a single word about how the latter pays for it. Secondly, after the fabricated 'sale', he lets capitalists II do something even more original: with the newly acquired means of production they walk out of their own department into the other and invest them there as capital; and thirdly, they take with them their own unsaleable consumer goods, likewise to invest them in the other department as variable capital.

One wonders why Bauer thought up this original transaction instead of simply leaving the surplus means of production in the first department and letting it be used there for expansion, which is what finally happens according to his tricks. However, Bauer would then fall out of the frying pan into the fire; that is, he would have to explain how the necessary variable capital in the shape of 1,167 consumer commodities can be steered from the

* *ibid.*, pp. 865-6.

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second department over to the first. Since this is just not feasible and it is absolutely impossible to use up every single product through exchange, Bauer makes up his confused contraption which makes one's eyes swim, in order to put together these unsaleable remains of the commodities in the first department as the final act of accumulation.

It is certainly a bold idea. Marx was the first in the history of political economy to make the distinction between the two departments of social production and describe it schematically. This is a fundamental concept which put the whole problem of social reproduction on a new basis and made it possible to investigate accurately for the first time.

Marx's distinction and his model, however, assume that *only exchange relations* exist between the two departments, which is precisely the basic form of capitalist or commodity-producing economy. When working with his model, too, Marx keeps strictly to this basic condition, just as he sticks to all his assumptions with relentless consistency. Bauer comes along and casually hurls Marx's entire analysis to the ground by 'transferring' the commodities backwards and forwards from one department to the other *without exchange*, and flying about in the rigorous model like a wild goose in the sky, to use a Polish proverb.

Bauer appeals to the fact that, with technological progress, the production of means of production will grow at the expense of the consumer goods production, and the capitalists in the latter department will thus constantly place a portion of their surplus value in the former department in some form or other (through banks, share-holding or founding new enterprises). All this is excellent. However, the 'transfer' of accumulated surplus value from one branch of production to another can only occur in the form of money capital, that form of capital which does not differentiate and is absolute, and is therefore essential for social fluctuation, to initiate the displacements of social commodity production. A load of unsaleable wax candles cannot buy shares in copper mines, nor can a warehouse full of unmarketable rubber shoes set up a new machine factory. The point was to show how general exchange converts capitalist commodities into money capital, which alone enables the fluctuation from one branch of production to the other. Thus, when exchange is no longer pos-

sible, it is pure escapism simply to 'transfer' the unmarketable products into another department of production *without exchange*.

Equally amazing is Bauer's idea of letting one department of social production participate in the other. Marx's departments do not mean registers of employers' names, but objective economic categories. If a capitalist from Dept II wants to 'set up' and accumulate in Dept I with part of his money capital, that does not mean that the department of consumer commodities is producing in the department of means of production, which is an economic absurdity, but that one and the same person is acting simultaneously as an employer in each of the two departments. Thus in economic terms we are dealing with two capitals, one of which produces means of production, the other consumer goods. For the analysis of the conditions of social reproduction, the fact that both sums of capital belong to one and the same person, and that the surplus value from them both join each other in one pocket, is objectively immaterial. Thus *exchange* remains the sole connexion between the two departments. Otherwise, if one mixes the two into a shapeless mash, as Bauer does, Marx's rigorous construction, the result of a hundred years of struggle for clarity in political economy, disintegrates; the analysis of the process of reproduction breaks up into the chaos where Say and similar intellects wandered boldly about in 'thin air'.

Nota bene, at first Bauer himself proceeds from this premise. For example, right at the beginning when he is constructing his tables he says: 'Thus the value of the products of the consumer goods industry must amount to 188,000 in the second year, *for the consumer goods can only be exchanged for these amounts of value*.'* Similarly, after his tables are complete and accumulation can proceed, he asks: 'Who buys these commodities?'† Thus Bauer himself makes the condition that he will accomplish accumulation by raising the total social amount of commodities. And, finally, after various exchanges, he still has some commodities left in both departments which cannot be exchanged. He then gets himself out of trouble by making both departments give presents to each other and by letting one department participate in the other's production. Thus, at the very point of departure of his

* *op. cit.*, No. 23, p. 837.

† *op. cit.*, No. 24, p. 863.

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tables, Bauer gives up his own premise and the fundamental premise of Marx's model.

And now a third example.

As is well known, Marx develops his models for the illustration of accumulation on the assumption that constant capital is in a fixed relation to variable capital, and that the rate of surplus value is equally fixed when capital is also growing progressively. In my book I explain, amongst other things, that it is this assumption which cannot be reconciled with real life, and that facilitates the smooth process of accumulation in Marx's models. The mere consideration of technological progress, i.e. of the gradual alteration of the relation between constant and variable capital, and the increase in the rate of surplus value, would, I said, pose insuperable problems for the explanation of accumulation in Marx's models; it would show that accumulation simply cannot be confined to the mutual relations of purely capitalist industry.

Now Otto Bauer, unlike Marx, takes good note of technological progress in his tables, and incorporates it into his calculations in the most explicit way, so that he lets constant capital grow twice as fast as variable capital from year to year. Indeed, as he expounds his theory further he assigns a determining role to technological progress in the variation in the state of business. But what do we see over the page? In the same breath Bauer assumes a fixed and constant rate of surplus value 'to simplify the investigation'.*

Nota bene, scientific analysis can ignore the conditions of reality or combine them at will to simplify the subject, as the occasion demands. The mathematician may lower or raise his equation as he wishes. A physicist may plan experiments in a vacuum to explain the relative speed of fall of bodies. Similarly, the political economist may leave out concrete conditions of economic life for certain purposes of investigation. In the whole of the first volume of *Capital* Marx proceeds from the assumption that (1) all commodities are sold at their value, and (2) that wages correspond to the full value of labour, an assumption which, as everyone knows, contradicts practice at every step. Marx uses this procedure to show how capitalist exploitation is accomplished even under the most favourable conditions for the workers. His

* *op. cit.*, No. 23, p. 835.

analysis does not cease to be scientifically accurate because of this; on the contrary, it is precisely in this way that he gives us an unshakable foundation for the exact estimation of daily practice and its exceptions.

But what would one say to a mathematician who would multiply one half of his equation by two and leave the other half unchanged or divided by two? What is one to think of a physicist who would compare the relative speed of fall of various bodies, one in an atmosphere and the other in a vacuum? This is how Bauer behaves. Of course, in all his models of reproduction Marx assumes a permanently fixed rate of surplus value, and one can hold that this very assumption is not legitimate for the investigation of the problem of accumulation. Marx, however, did stick rigorously to his assumption, and within the limits of that assumption: he ignored technological progress in every case.

Bauer treats the subject quite differently: like Marx he assumes a fixed rate of surplus value; but unlike Marx he simultaneously assumes strong and continuous technological progress! He brings technological progress into his calculations, but this by no means raises the level of exploitation – two conditions which completely contradict and neutralize one another. He then generously leaves us to test all his calculations on the assumption of an increasing rate of surplus value, which he had at first ‘neglected’, assuring us that everything would then proceed to the satisfaction of all. It is a pity that Bauer did not consider it worth his trouble to go on to complete this little detail himself, instead of breaking off his ingenious calculations, just like the other calculation experts, and taking leave of us because of urgent delays at the very point where his proof should have begun.*

This at least would be the only way in which an arithmetical ‘proof’ could have been provided for Bauer’s assertion. What he has now provided is no longer an aid for scientific analysis, but quackery, which explains nothing and can prove nothing.

Up till now I have still not touched upon the economic content of Bauer’s tables. I have only, with a few examples, attempted to

* Pannekoek, also, after calculating his tables with quickly growing capital but with a constant rate of surplus value, says: ‘As above, a gradual alteration in the rate of exploitation comes into consideration too’ (*Bremer Bürgerzeitung*, 29 January 1913). But he too leaves that difficulty to the reader.

demonstrate the methods used by Bauer, and the way in which he keeps to his own conditions. I did not go into his handling of the tables in such detail in order to celebrate cheap victories over the clumsiness of his schematic operations. Many of his pitfalls can easily be avoided by somewhat more ingeniously constructed tables – Tugan-Baranovsky, for example, is a past-master at this – not that this would prove much more about the question. The point, however, is how Bauer uses Marx's models; it is a fact that the confusion which Bauer engenders in his tables betrays all too clearly just how much he could do with Marx's tables.

Bauer's co-expert, Eckstein, can slate him as much as he likes for his 'basic misunderstanding of Marx's models' and his complete 'inability' to work 'with Marx's models'. It is not because I wanted to judge Bauer so harshly, like his Austro-Marxist colleague, that I am not content with emphasizing these few tests, but because Bauer explains naïvely:

Rosa Luxemburg is content to point out the capriciousness of Marx's models – we propose to attempt to look at Marx's thought process in a reasonable manner and to conduct our investigation with a model freed from caprice. This is why we have erected tables here which are no longer capricious, and whose measurements necessarily follow from each other, provided one first presupposes the assumption.*

Now, Bauer will excuse my wanting to stay with the uncorrected Marx and his 'capriciousness' after the tests I have made. We will still have the opportunity at the end to see what difference there is between the mistakes of a Marx and the blunders of his 'expert' epigones.

Bauer, however, is not content to give me instruction, but – thorough man that he is – he also sees fit to explain my mistake. He has discovered the basis of my error: 'Comrade Luxemburg is thus incorrect in her assumption that the accumulated part of surplus value cannot be realized,' he writes, after his tables have worked out 'without remainder' through the above manipulations. 'How can Comrade Luxemburg have come to this incorrect assumption?' And now follows the amazing explanation:

We have assumed that in the first year the capitalists buy the means of production which will be set in motion by the increased labour force in the second year, and that in the first year the capitalists buy the

* *op. cit.*, No. 23, p. 832.

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consumer goods which they sell to the increased labour force in the second year. If we did not assume this, it would in fact be impossible to realize this year the surplus value which was produced in the first year.

And yet again:

Rosa Luxemburg believes that the accumulated part of surplus value cannot be realized. Indeed, it cannot be realized in the *first year* if the material elements of the additional productive capital will not be bought until the second year.*

That is the heart of the matter. I was not aware that, if one wanted to open a factory and put it into production in 1916, one had to construct the necessary buildings, buy the machines and materials and get the provisions in stock for the workers who are to be employed – in 1915. I was under the impression that one founds a business enterprise first and then buys the building site for it, that one employs workers first and then plants the rye which will be baked into bread for them! It is, in fact, ludicrous – for the very reason that such disclosures are served up in the scientific organ of Marxism.

So Otto Bauer really believes that Marx's formulae have something to do with 'years', and the good soul toils through two sides of print to point this out to me in simple language with the help of three-storeyed formulae and Roman and Greek letters. But Marx's models of capital accumulation have absolutely nothing to do with calendar years. Marx was dealing with the *economic metamorphoses* of products and their connexion in a capitalist economy; he was dealing with the fact that, in the capitalist world, the sequence of the economic processes is: production – exchange – consumption – production again – exchange – consumption, and so on in an endless chain. Because exchange is the unavoidable transitional phase of all products and the sole link between producers, *when* the commodities are realized is in the first instance irrelevant for profit-making and accumulation; the following two facts, however, are relevant:

1. The total capitalist, like each individual capitalist, cannot plan to enlarge production until he has exchanged his quantity of commodities; and

2. The total capitalist, like each individual capitalist, cannot

* *op. cit.*, No. 24, p. 866.

plan to enlarge production if there is no indication of an enlarged market.

Where then does the entire class of capitalists find the growing market which is the basis for their accumulation? This was the question. And Bauer finally provides the following detailed elucidation:

In reality the accumulated surplus value is also realized in capitalist society. At all events, the realization is accomplished step by step, gradually. Thus, for instance, the provisions which will be used in the second year to feed the extra number of workers are normally produced in the first year and sold to wholesale capital; thus, part of the surplus value which lies in these provisions will already be realized in the first year. The realization of the other part of the surplus value would then result from the wholesaler selling these provisions to the retailer, who sells them to the workers – thus far our model is a faithful representation of reality.*

At least Bauer gives us a tangible example here of how he imagines surplus value is realized. Whether it be in the first or the second year, this takes place by the manufacturer selling the provisions to the wholesaler, he to the retailer, and finally the small shopkeeper selling them to the extra labour force. Thus it is the workers who, in the last analysis, realize the capitalist's surplus value for him, who help it to turn into hard cash. 'Thus far' Bauer's model is a faithful representation of the range of vision of the individual capitalist and his theoretical Sancho Panza, the bourgeois vulgar economist.

Of course, as far as the individual capitalist is concerned, Fred is as good a consumer of his commodities as Joe, workers are as good as another capitalist, nationals are as good as foreigners and farmers are as good as artisans. To whomever he sells his commodities, the individual capitalist pockets his profit and the employers in the branch of provisions who sell their commodities to the workers rake in as good a profit as the employers in the branch of luxury goods do by selling off their top quality wares, lace, gold articles and diamonds to the fair womanhood of the 'top ten thousand'. But if Bauer, without noticing it in the least, transfers this trite empiricism as regards every individual employer, over to capital as a whole, if he cannot differentiate the conditions

* *op. cit.*, No. 24, p. 868.

of social reproduction from the conditions of reproduction of individual capital – well then, why on earth did Marx write the second volume of *Capital*? For the very heart of Marx's theory of reproduction, the decisive achievement of the 'amazing work', as Bauer's colleague, Hilferding, calls it, lies in the fact that Marx had finally extracted out of the chaos of contradictions and fumbling attempts of Quesnay, Adam Smith and their poor imitators who followed them, for the first time and with classical clarity, the fundamental distinction between the two categories: individual capital and aggregate social capital and their movements! Let us examine Bauer's ideas from this point of view in the simplest possible way.

Whence do the workers get the money with which they are to buy the provisions and thus realize the capitalist's surplus value? The individual capitalist does not give a tinker's damn where his 'customer's' mammon comes from, as long as he has some – it can be given, stolen or earned by prostitution. For the entire class of capitalists, however, there remains the unshakable fact that the workers receive the means to satisfy their needs from the capitalists themselves in exchange for labour – in the form of wages. As I have explained above, they receive these in two different forms, according to the conditions of modern commodity production: first as money, then as commodity, in which way the money always returns to its point of departure, the pocket of the capitalist class. This circulation of variable capital completely exhausts the purchasing power of the workers and their contact by way of exchange with the capitalist. Thus, if provisions are allotted to the workers, that does not mean, speaking in *social* terms, that capital is realizing surplus value, but that it is delivering variable capital in commodities (material wages), thus retrieving its own capital from the previous period in an equal amount of money capital. Thus, according to Bauer's formula, the so-called realization of surplus value consists in the capitalists repeatedly exchanging a portion of new capital in commodity form against an equal portion of capital in money form which already belonged to them! In reality, the class of capitalists does indeed carry out this transaction, since they must bow to the sad necessity of giving their labour force a portion of the total product as means of subsistence, so that they can produce new surplus

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value in commodity form. But the capitalist class never imagines that it is 'realizing' its previous surplus value through this process. This was reserved for Bauer to discover.*

At all events, Bauer himself dimly suspects that the conversion of surplus value into variable capital represents anything but 'realization of surplus value'. For instance, he does not say a word about it as long as he is dealing with the renewal of variable capital within the old framework. That clever trick does not start until the 'additional workers' appear. Workers who have already been employed by capital for years simply receive wages – first as money, then as provisions – and produce surplus value in return. However, workers who have been taken on recently with the expansion of operations accomplish even more; they 'realize' the capitalists' surplus value by using the money wage they receive from the capitalists to buy provisions from these same capitalists! Workers in general only realize their own commodity – labour power – for themselves and do enough for capital when they *produce* surplus value. But the so-called 'additional' workers are supposed to accomplish a double miracle for capital: (1) they produce surplus value in commodities, and (2) they actually realize this surplus value in money.

We have finally arrived at the basic concepts of the process of reproduction, just inside the front door of the second volume of *Capital*, and now it becomes very clear that Bauer is not only called upon to explain Marx's second volume, but also to 'free' it

* A little 'expert' in the *Dresdener Volkszeitung* (of 22 January 1913) has solved the problem of accumulation in a remarkable way. 'Each extra Mark', he tells us, 'which the worker receives creates a new capital investment of ten Marks or more, thus the workers' struggle . . . creates a market for surplus value and makes capital accumulation in their own country possible.' What a clever little boy! The next time one such 'expert' has the brilliant idea of simply writing 'cockadoodledoo' in the middle of an economic observation, he can be dead certain that that too will be printed unchecked as a lead article in the Social Democratic organ. It seems that the esteemed editors, at least those of them with an academic education, who have their hands full with upturning the whole world history in parliamentary waiting rooms and corridors, have for a long time considered it a waste of time actually to get down to reading theoretical books themselves in order to form some kind of opinion about problems which emerge. It is much easier to pass that sort of thing on to the nearest scribbler who collates economic reviews out of English, American and other statistical publications.

from contradictions and 'arbitrariness' and to 'express Marx's thoughts in a reasonable way'.

Bauer crowns the general section of his critique of my book with the following passage:

Comrade Luxemburg believes that the commodities which contain ($\alpha + \beta$) (for common mortals: the commodities containing the surplus value destined for capitalization, R. L.) must be sold outside the capitalist world to make the realization of their surplus value possible. What sorts of commodities are they? They are those means of production capitalists need to expand their productive apparatus and those commodities needed to feed the additional workers.

Astonished at my obtuseness, Bauer exclaims:

If those commodities were thrown out of the capitalist world there would be no production on an expanded scale possible during the following year. Neither the means of production necessary for the expansion of the productive apparatus nor the necessary provisions to feed the increased labour force can be supplied. *The elimination of this part of the surplus value from the capitalist market would not make accumulation possible, as Rosa Luxemburg thinks, but rather make any accumulation impossible.**

Again, he states categorically at the end of his article: 'The part of the surplus product which contains accumulated surplus value cannot be sold to the peasants and petit-bourgeoisie in the colonies as it is needed in the capitalist country itself to expand production.'†

Good God, are there words for such thinking, for such criticism! We are back again in the realm of economic innocence on the level of the good old von Kirchmann‡ or the honourable Russian arch-confusionist Woronzow.§ Bauer seriously believes that capitalist commodities disappear altogether if they are 'thrown away' to non-capitalist strata or countries, as if they were tossed into the sea. He did not notice one fact which every child

* *ibid.*, p. 863. (All emphasis by Bauer.)

† *ibid.*, p. 873.

‡ Julius Herman von Kirchmann (1802-84). German lawyer, philosopher and politician. For treatment of his ideas see Marx, *Theories of Surplus Value*, pt II (Progress Publishers, Moscow, 1968; Lawrence & Wishart, London, 1969). Also Luxemburg, *op. cit.*

§ V. P. Woronzow (Vorontsov) (1847-1918). Theoretician of Narodnism. See G. V. Plekhanov, *The Development of the Monist View of History* (Foreign Language Publishing House, Moscow, 1956). Also Luxemburg, *op. cit.*

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knows these days, that, if commodities are exported, they do not get lost, but are *exchanged*. Usually *other* commodities are bought from these non-capitalist countries and strata, which supply the capitalist economy with means of production and consumption! He grandly calls what is everyday reality in the history of capitalism ignorance on my side, and, what is more, highly injurious to capitalism!

This is indeed astonishing. From the 1820s to the 1860s English capitalism 'threw away' coal and iron to the then non-capitalist North and South America; and it did not perish but grew and developed rosy cheeks. German capitalism eagerly exports machines, iron, locomotives and textiles to Turkey, and does not collapse. *Rather, it is prepared to set the world on fire to monopolize this trade to an even greater extent.* In order to open up opportunities to 'throw away' capitalist commodities to non-capitalist China, France and England conducted bloody wars for three decades in East Asia: the united capital of Europe undertook an international crusade against China at the turn of the century. Trade, exchange with peasants and artisans – non-capitalist producers in Europe – is one of the most common phenomena in every country today, and at the same time, as everyone knows, the unavoidable precondition for the existence of capitalist industry. And there is Otto Bauer suddenly declaring: if capitalists were to 'throw away' into the non-capitalist world the commodities which they and their workers do not consume themselves, accumulation would become impossible! As if capitalist development would be historically possible if capital were dependent solely on self-produced means of production and consumption.

This is how one can get entangled in one's eagerness for theoretical stupidity! But it is characteristic, for this entire 'expert' epigon-tendency of Marxism in theory and practice – and we will find this amply confirmed later on – that they lose all sense of reality by burying themselves in an abstract 'model'; the more boldly they wander around with a stick in the mist of theory, the more miserably they stumble over the glaringly obvious facts of real life.

We have now dealt with Bauer's preliminary points; we are familiar with his methods and procedures. We still have the main thing: his population theory.

THE 'NEW' POPULATION THEORY OF OTTO BAUER

'Every society which grows must expand its productive apparatus every year. This will be a necessity for the future socialist society as much as it is for the present capitalist society, or as it was for the simple commodity-production and peasant economy of the past, which produced for its own need.'*

Here, in a nutshell, is Bauer's solution to the problem of accumulation. In order to accumulate, capital needs a steadily increasing outlet to make the realization of surplus value possible. Where does the outlet come from? Bauer answers: the population in capitalist society grows, like that in any other society, thus increasing the demand for commodities and giving the foundation for accumulation in general. '*In capitalist society there is a need for capital accumulation to adjust to population growth.*'† From this central point Bauer deduces the characteristic movements of capital and its forms.

First is the state of equilibrium between production and population, i.e. the median around which the fluctuations take place.

Bauer assumes, for the sake of illustration, that the population grows by 5 per cent annually.

'Variable capital must grow by 5 per cent if the equilibrium is to be maintained.' Technological progress increases constant capital (dead means of production) at the expense of variable capital (wages for the labour force). To stress that fact, Bauer assumes that it grows twice as fast, i.e. by 10 per cent yearly. On this basis he constructs one of his 'incontestable' tables, which we already know about and which now only interest us for their economic content. In these tables Bauer entirely disregards the total social product. He reaches the conclusion: 'The expansion of the field of production, which is a precondition of accumulation, is provided by population growth.'‡

The vital point of this 'state of equilibrium' which allows

* *Neue Zeit*, 1913, No. 23, p. 834.

† *op. cit.*, No. 24, p. 871.

‡ *ibid.*, p. 869.

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undisturbed accumulation is conditional on variable capital growing at the same rate as the population. Let us take a short look at Bauer's basic law of accumulation.

In his example, population grows at the rate of 5 per cent per annum, and so variable capital must also grow by 5 per cent. What does this mean? 'Variable capital' is an amount of value, the sum of wages paid to the workers, expressed in a certain amount of money. This can represent different totals of goods. In general, assuming technological progress and increasing productivity, a relatively decreasing sum of variable capital corresponds to a constant amount of means of consumption. If population grows by 5 per cent annually, variable capital has only to grow by, let us say, $4\frac{3}{4}$, $4\frac{1}{2}$, $4\frac{1}{4}$, 4 per cent, etc., to provide an equal standard of living. And Bauer does indeed assume general technological progress; to express that, he presupposes a growth of constant capital which is twice as fast. Given this assumption, an increase of variable capital parallel with the growth of population is conceivable only in one situation: if, in spite of rapid technological progress in all branches of production – increasing productivity of labour – prices remain unchanged. But that would not only be theoretically the funeral of Marx's theory of value, but also, in practice, incomprehensible from the capitalist point of view: since the lowering of prices is a weapon in the competition struggle, a stimulant for individual capital to become a pioneer of technological progress.

But wait! Must we think that money-wages remain unchanged in spite of increasing productivity and cheapening of provisions, as the workers' standard of living rises with this progression? The social rise of the working class is taken into account in this. But if the rise in the workers' standard of living is so strong that variable capital (sum of money-wages) must grow year after year in exactly the same proportion as the working population, then this means that all the technological progress is for the benefit of the workers alone. The capitalists could neither increase their standard of living nor the rate of surplus value. As we know, Bauer does assume a constant rate of surplus value. He claims that he only assumes it 'for the sake of simplicity' . . . 'to begin with', to help us intellectual dimwits grasp the rung of his theory. But in reality this assumption is the *economic foundation* of

Bauer's theory, as we can now see, and the entire 'state of equilibrium' is dependent on it. Bauer admits this quite explicitly himself:

Our model (table IV) presupposes that (1) the working population grows by 5 per cent each year, (2) *variable capital grows at the same rate as the working class*, (3) constant capital (i.e. the cost of dead means of production) grows faster than variable capital to the degree required by technological progress: *under these conditions* it is not astonishing that there are no difficulties in the realization of surplus value.*

Yes, but these conditions themselves are quite 'astonishing'. For as long as we are not wandering around in thin air but standing on the surface of this capitalist earth, what incentive do the capitalists have to make use of technological progress and to invest ever larger sums in constant capital if the whole benefit is only for the working class? According to Marx, the creation of 'relative surplus value', the increase in the rate of exploitation through the cheapening of the labour force, is the only objective reason for the capitalist class as a whole to promote technological progress; it is the real objective result of the competition of individual capitals, aiming unconsciously for extra profit. Bauer's astonishing assumption is a pure economic impossibility as long as capitalism exists. If we proceed with him, assuming technological progress, i.e. a rise in the productivity of labour, it clearly follows that variable capital, the sum of wages, cannot possibly grow 'at the same rate' as the population. If population grows at a constant rate, variable capital can grow only at a steadily *decreasing* rate, let us say at $4\frac{5}{6}$, $4\frac{2}{3}$, $4\frac{1}{4}$, $4\frac{1}{2}$ per cent, etc. And in reverse: to make variable capital grow with the regularity of 5 per cent per annum, the population would have to grow at an increasing rate – let us say $5\frac{1}{4}$, $5\frac{1}{2}$, $5\frac{3}{4}$, 6 per cent, etc.

Bauer's law of 'equilibrium' collapses like a house of cards. His theory of 'equilibrium' is constructed on the dilemma of two economic absurdities, both contradicting the essence of capitalism and the purpose of accumulation – either technological progress does not lower commodity prices at all, or the lower prices are only for the benefit, not of accumulation, but of the workers!

Let us take a look at reality. Bauer's assumption of a 5 per cent

* *op. cit.*, No. 24, p. 869.

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growth rate in the population is, of course, only theoretical. He could just as well have chosen 2 or 10 per cent. But *real* population growth is by no means immaterial, since, according to Bauer, capitalist development must adjust to it. On this basic principle rests his entire theory of accumulation. And what is the real population growth, for instance, in Germany?

Growth per annum, according to official statistics, was 0.96 per cent between 1816 and 1864, and 1.09 per cent between 1864 and 1910. Thus, in reality, the rate rose in almost a century from 0.96 to 1.09 per cent – a rise of 0.13 per cent. If we look at the period of large-scale capitalist development in Germany, the annual increase from 1871 to 1880 was 1.08 per cent; 0.89 per cent from 1880 to 1890; 1.31 per cent from 1890 to 1900; and 1.41 per cent from 1900 to 1910. Here, too, there is an increase of a third within forty years. How does that correspond to the rate of growth of German capitalism during the last quarter of the century?

If we look at other capitalist countries we see even better examples. According to the latest census figures the annual population growth is:

	<i>per cent</i>
Austro-Hungary	0.87
European Russia	1.37
Italy	0.63
Rumania	1.50
Serbia	1.60
Belgium	1.03
Netherlands	1.38
England, Scotland and Ireland	0.87
U.S.A.	1.90
France	0.18

One sees that the absolute figure of population growth, as well as the comparison of different countries, gives wonderful figures for the standpoint of the alleged basis of capital accumulation. To find Bauer's hypothetical 5 per cent, just for fun, we would have to emigrate to warmer climates, somewhere like Nigeria or the Sunda archipelago. Indeed, the annual increase of population in the following countries is:

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	<i>per cent</i>
Uruguay	3.77
British Malaya	4.18
South Nigeria	5.55
North Borneo	6.36
Hong Kong	7.84

What a pity that those inviting luxurious pastures only exist where there is as yet no capitalist production, and these perspectives shrink to a barren field as soon as we come closer to the family seats of capitalism!

Let us take a closer look at the matter. Bauer says that capital accumulation is dependent on population growth. What about France, for instance? There population growth has steadily decreased; it is now only 0.18 per cent. The population growth is slowly coming to a standstill, perhaps even an absolute decrease is ahead. In spite of that, capital in France happily carries on accumulating: so well, that France can provide the whole world with its capital reserves. In Serbia population increases twice as fast as in England; but, as is well known, capital accumulation is much stronger in England than in Serbia. How does that make sense?

The answer to these doubts only points out our own obtuseness: Bauer's theory is not related to individual countries and their populations. It looks at population in general. The growth of mankind in general is important. Excellent. But then there are even stranger riddles.

It is obvious that the annual increase of 'mankind' is relevant for capitalism only to the extent that mankind consumes capitalist commodities. There is no doubt that the encouraging growth of population in North Borneo or South Nigeria is of little relevance to the accumulation of capital in the near future. Is the increase in the number of customers for capitalism somehow connected to the natural growth of population? One thing is clear: if capital were to wait for the increase of its consumers through natural reproduction, it would still be, at best, in the swaddling clothes of its manufacturing period. In fact, capital does not dream of waiting. Rather, it uses other abbreviated methods to expand the basis of accumulation. Making use of all political means it

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attacks (1) barter economy, (2) simple commodity-producing economy. Gradually destroying both, it finds more and more consumers in all parts of the world. But these methods interfere drastically with population growth in the relevant countries and peoples.

The number of consumers can grow while the population decreases. In fact, the capitalist method of producing a world market goes hand-in-hand with decimation and even extermination of whole tribes. This process, still going on, has accompanied capitalist development since the discovery of America: the Spanish in Mexico and Peru in the sixteenth century, the English in North America in the seventeenth, in Australia in the eighteenth century, Dutch in the Malay Archipelago, French in North Africa, English in India in the nineteenth century, Germans in South West Africa in the twentieth century. The wars of European capital to 'open up' China have also led to periodic mass slaughter of the Chinese population, thus unavoidably slowing down their natural growth.

At the same time as the expansion of the base of accumulation in non-capitalist countries is linked with the partial extermination of the populations, it is accompanied by different variations in the population structure in those countries where capitalist production is already rooted.

In the two constituents of the latter (birth rate and death rate) we see two opposed movements in all capitalist countries. The birth rate is generally decreasing. Thus these were the figures for the birth rate in Germany per 1,000 inhabitants: 1871-80, 40·7; 1881-90, 38·2; 1891-1900, 37·3; 1901-10, 33·9; 1911, 29·5; 1912, 29·1. The same tendency is clear when one compares the highly developed countries with the underdeveloped ones. Per 1,000 in Germany there were born: (1911-12) 28·3; in England, 23·8; in France, 19·0; in Portugal, 39·5; in Bosnia and Herzegovina, 40·3; in Bulgaria, 40·6; in Rumania, 43·4; in Russia, 46·8. All statisticians, sociologists and doctors attribute this phenomenon to the effects of big city life, factories, insecurity of existence, cultural improvements, etc. – in short to the effects of capitalist culture.

At the same time, modern developments in science and technology and cultural improvements successfully combat the death rate. Thus in Germany per 1,000 inhabitants, per annum, there

died: 1871–80, 28·8; 1881–90, 26·5; 1891–1900, 23·5; 1901–10, 19·7; 1911, 18·2; 1912, 16·4. Comparing highly developed with backward countries the same picture appears: deaths per 1,000 inhabitants (1911–12) in France, 17·5; in Germany, 15·6; in Belgium, 14·8; England, 13·3; Russia, 29·8; Bosnia and Herzegovina, 26·1; Rumania, 22·9; Portugal, 22·5; Bulgaria, 21·8. Depending on which of the two factors becomes stronger, population grows either faster or slower. But, in any case, it is the development of capitalism with its economic, social, physical and intellectual epiphenomena, *it is capital accumulation*, which influences the growth of population and not the other way round. In general, the influence of capitalist development leads, sooner or later, to a *slowing down* of the population growth. The examples of Hong Kong and Borneo, contrasted with Germany and England, and of Serbia and Rumania with France and Italy, are explicit enough.

After all this, the conclusion is at hand. Bauer's theory stands the actual relationship on its head. By subordinating the accumulation of capital to population growth he negates the commonly known fact that capital shapes population: at one point it exterminates it *en masse*, soon it speeds up growth, soon it slows it down – with the general result: the faster the accumulation the slower the growth of population.

A nice *quid pro quo* this for an historical materialist, forgetting to look at reality and to ask himself: yes, capital accumulation is dependent on population growth, but what does population growth itself depend on?

Friedrich Albert Lange* said in his *History of Materialism*:

We still have these days so-called philosophers in Germany, who write, in a sort of metaphysical clumsiness, great treatises on the origins of ideas – perhaps even claiming accurate observation by means of the inner sense – without even considering the fact that there are nurseries, perhaps even in their own homes, where one can observe the symptoms of the origin of ideas with one's own eyes and ears.

I do not know whether there are still such 'philosophers' in Germany today. But the species of 'metaphysical clumsiness'

[* Friedrich Albert Lange. Nineteenth-century author of a *History of Materialism*. See Marx's letter to Dr Kugelmann, 27 June 1870.]

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which tries to solve social problems through exact schematic calculations by using the 'inner sense' and forgetting eyes and ears, the world and the nursery, seems to have found the competent 'heirs of classical German philosophy' among the 'experts' of official Marxism.

But things get even more beautiful. Up till now we have been considering the economic conditions of population growth because Bauer appears to be basing his theory of accumulation on this. In reality, his theory has a different basis. When he talks about 'population' and 'population growth' he really refers to the class of wage-workers in capitalist society, and to this alone.

The following quotations are sufficient to prove this: 'We assume that the population grows by 5 per cent each year. If the balance (between production and social requirements) is to be maintained, then the *variable capital* (i.e. the amount of wages paid) must also grow by 5 per cent each year.'*

If the consumption by the population, on which production is calculated, is equal to the variable capital, i.e. the amount of wages paid, then this 'population' can only refer to the workers. But Bauer himself formulates this quite explicitly: 'The acquisition of provisions for population growth is expressed through the increase in variable capital.'† He states this even more categorically in the following passage, which I have already cited:

Our model assumes, (1) *that the working population grows by 5 per cent yearly*, (2) *variable capital grows at the same rate as the working class*, (3) *constant capital (i.e. the cost of dead means of production) grows faster than variable capital to the degree required by technological progress*. Under these conditions it is not astonishing that there are difficulties in the realization of surplus value.‡

Nota bene, according to Bauer's assumption there are only two classes in society: workers and capitalists. 'For in a society', he says a few lines later, '*which consists solely of capitalists and workers*, there is no income for the unemployed proletarian other than earned income,'§ etc. This assumption is by no means incidental; on the contrary, it is highly important for Bauer's attitude to the problem: for his task, like that of the other

* *op. cit.*, No. 23, p. 835.

† *op. cit.*, No. 24, p. 869.

‡ *ibid.*, p. 834.

§ *loc. cit.*

'experts', is to disprove me by showing that, according to the 'model', capital accumulation is possible and can proceed smoothly even in a society with exclusively capitalist production, consisting solely of capitalists and workers. Thus there are only two social classes in Bauer's theory: capitalists and proletarians. But the growth of capital accumulation is related only to the class of proletarians. First Bauer reduces the population simply to workers and capitalists (with his explicit assumption), then he silently reduces it (with his operations) to workers. These are the 'population' to whose needs capital adapts. Thus, when Bauer takes an annual 'population growth' of 5 per cent as a basis for his schematic exposition, this means that only the *population of workers* grows annually by 5 per cent. Or perhaps we should see this increase in the proletarian class as only a part of the normal regular increase of 5 per cent annually in the total population? But that would be an entirely new discovery, and professional statisticians have long since proved that in present-day society each class follows its own population laws.

Bauer is not, in point of fact, thinking of a regular increase in the total population. At any rate, this is not valid for his capitalists whose annual growth rate, as can be easily proven, is nothing like 5 per cent.

On p. 835 Bauer gives the following figures for the consumption stock in the four consecutive years: 75,000; 77,750; 80,539; and 83,374. If Bauer assumes that the workers' wages rise with these numbers, then we are justified in assuming that the capitalists' standard of living is at least faring no worse than the workers'; and that their income for consumption is keeping pace with their growth. If that is so, the following figures follow in Bauer's model from the capitalists' consumption, for the resulting annual increase in the capitalist class in the corresponding four years; 5 per cent in the second year; 3.6 per cent in the third; 3.5 per cent in the fourth. If that were to continue, Bauer's capitalists would soon start to die out, which would solve the problem of accumulation in the most peculiar way. But we are not concerned here with the individual fates of Bauer's capitalists; the point here is to establish that Bauer always means growth of the working class when he talks about population growth as the basis of accumulation.

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Bauer finally spells it out himself, by explaining on p. 869: 'It (the rate of accumulation) must continue to increase in this way until the equilibrium between the growth of variable capital and population growth has been restored.'

With equal clarity he lays down the general rule once again on p. 871:

In capitalist society the accumulation of capital tends to adjust to population growth. This adjustment is complete as soon as variable capital (i.e. the amount of wages) increases at the same rate as the population of workers, but constant capital grows faster, at a rate required by the development of the productive forces.

Bauer puts it at its simplest at the end of his article, where he summarizes the main points:

To begin with (in an isolated capitalist society, like that on which his model is based) *accumulation is limited by the increase of the working population. Since – with a given organic composition of capital – the amount of accumulation is determined by the increase in the number of available workers, etc.**

Thus the whole thing is brilliantly clear: under the pretext of the adjustment of capital accumulation to population growth, Bauer makes capital depend solely on the working class and its natural growth. We say natural growth expressly because in Bauer's society, which knows no middle classes but only capitalists and proletarians, the proletariat is barred from recruiting from the petty-bourgeois and peasant strata and can thus only increase by natural reproduction. Bauer makes this very adjustment to proletarian population into the pivot of the capitalist business cycle. We must examine his theory from this point.

We have seen that the equilibrium between social production and consumption is reached when variable capital, i.e. that part of capital which is set aside for wages, grows as fast as the population. However, the mechanics of capitalist production are continually trying to upset this equilibrium, first downwards – to 'under-accumulation' – then upwards – to 'over-accumulation'. Let us start by considering the first movement of the swing.

If the first 'rate of accumulation' is too weak, says Bauer, i.e. if the capitalists do not put aside enough new capital to be used

* *loc. cit.*, p. 873.

in production, the growth of constant capital lags behind that of the number looking for work. 'We can call the state which then appears the state of *under-accumulation*.'* Bauer then describes this state in more detail. The first effect of under-accumulation is the formation of an industrial reserve army. A section of the increased population is out of work. The unemployed proletarians exert pressure on the wages of the employed, wages sink, the rate of surplus value rises.

For in a society consisting solely of capitalists and workers there is no other income for the unemployed proletarians but wage income; wages must sink and the rate of surplus value must rise until the entire working class finds work despite the relatively reduced variable capital. The change which occurs because of this in the distribution of the product is brought about by the fact that, with the increasing organic composition of capital, which expresses technological progress, *the value of the labour force* has fallen and thus created *relative surplus value*.

This growth of surplus value provides fresh funds for the capitalists to employ in renewed and stronger accumulation, which results in a more energetic demand for labour: 'Thus, the amount of surplus value which will be used to enlarge variable capital grows too.' It will continue to grow like this 'until the equilibrium between the growth of variable capital and population growth has been restored'.† In this way we are led out of under-accumulation and back to equilibrium. We have described here one half of the pendulum movement of capital; let us take a little more time over this, the first act of the performance.

The state of equilibrium means – let us remind ourselves once again – that the demand for labour and the growth of the proletarian population balance each other; thus the entire working class finds employment for its natural increase. Production is then thrown out of this equilibrium, the demand for work lags behind the growth of the proletariat. What throws it out of equilibrium? What makes the pendulum move past the centre-point of balance for the first time? Mere mortals find it somewhat difficult to discover this from Bauer's learned gibberish. Fortunately, he comes to our aid with somewhat clearer language on the

* *ibid.*, p. 869.

† *loc. cit.*

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next page, where he says: 'The progress towards the higher organic composition of capital always brings about under-accumulation.'*

At least that is clear and to the point. *Technological progress*, which supplants living labour power by machines and, therefore, periodically slows down the demand for workers, creates an industrial reserve army, lowers wages; in short, it brings about a state of 'under-accumulation'.

Let us confront Bauer with Marx.

1. In a state of under-accumulation, says Bauer, 'the value of labour falls', and in this way 'relative surplus value' is formed, serving as a new fund for accumulation. If the use of machines makes 'a portion of the increased population unemployed' and 'wages fall' under the pressure of these unemployed, that still does not mean that 'the value of labour' sinks; it does mean that the *price* of the commodity labour (the money-wage) falls *below its value* (i.e. below the standard of living previously attained by the workers) as a result of excess supply. According to Marx, however, relative surplus value does not develop through wages falling below the value of labour because of a decreased demand for workers; on the contrary – and Marx repeats this time and time again in the first volume of *Capital* – it develops under the explicit condition that the price of labour, i.e. the wage, is *equal* to its value; in other words, that demand and supply of labour are in equilibrium. According to Marx, it arises under this condition as a result of a cheapening in the cost of maintaining labour, i.e. as a result of the very factor which Bauer omitted when he explained, as we have seen, that it was essential to an 'equilibrium' that 'variable capital grows as fast as the working population'. To put it simply: under the pretext of 'relative surplus value' Bauer in fact simply derives the formation of new capital, with which he intends to provide for future accumulation, from the depression of wages which is forced on the workers by a downward swing in the capitalist pendulum.

2. What sort of a remarkable economic law for the movement of wages is it, that they must 'continually fall' 'until the entire working class is employed'? We are now experiencing a curious phenomenon: that the lower the wages fall the higher the level of

* *loc. cit.*, p. 870.

employment rises. When wages reach their lowest point the entire reserve army will be absorbed! In real life the normal course of events is quite the opposite; a fall in wages corresponds with growing unemployment, a rise with increasing employment. The industrial reserve army is usually at its largest when wages reach their lowest level, and it is more or less absorbed when wages reach their highest level.

But there are more strange things to come in Bauer's model.

Capitalist production lifts itself out of the valley of death of under-accumulation with a method which is as simple as it is abrupt: when wages are lowest, the capitalist can put aside new earnings (what Bauer, slightly misunderstanding the first volume of *Capital*, calls 'relative surplus value'). They then provide a new fund for investments, to expand production and raise the demand for labour. Again, we are not on dry land, but adrift in Bauer's 'society'. These days, capital would have to scrape up all its little savings from a general lowering of wages before it dared to start new investments and enterprises! It must wait for wages to sink to their lowest level in order to get new investment capital to expand production! In Bauer's dreamland speculations capitalism has reached the ultimate level of its development. All intermediate strata have been absorbed, only capitalists and proletarians are left. Nonetheless, in this society there are no capital reserves; it still lives from hand to mouth, as in the 'good old days of Dr Aikin' in sixteenth-century England. In that society there are obviously as yet no banks, which here on earth started accumulating huge capital reserves long ago, just waiting for opportunities to invest at *all* wage levels. The feverish accumulation on this highest level now taking place in all belligerent and neutral countries brings the bitter harvest of world war into their barns of easy profit. This is the most dramatic satire on the anaemic capital of Bauer's fantasy, which relies on a periodic general depression of the labour force to its lowest level in order to pluck up courage for its adventurous accumulation. Bauer repeats himself when describing the 'restoration of equilibrium':

Under the pressure of the industrial reserve army, the rate of surplus value, and with it the rate of social accumulation, will rise *until it is large enough* to increase variable capital at the same rate as the working population, in spite of increasing organic composition. *As soon as that*

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point is reached, the industrial reserve army is absorbed (*nota bene*: for the second time, it was absorbed once before, when wages were at their lowest, i.e. in the most severe 'under-accumulation', R. L.) and the equilibrium between accumulation and population growth is restored.*

The second swing of the pendulum now follows this restored 'state of equilibrium' – upwards, to 'over-accumulation'. Bauer describes this process very simply:

'If the rate of social accumulation rises (due to conscious pressure on wages!, R.L.) the point will be reached where variable capital is growing faster than the population. We call this state the state of over-accumulation.'

That is all; Bauer tells us no more than that about 'over-accumulation'. All we discover is that the rate of accumulation (i.e. formation of capital suitable for investment) 'finally' increases to the point where the demand for labour is greater than the supply. But why must it 'finally' reach this point? Does it follow a physical law of inertia because it is already in the process of rising? Let us envisage what initiated this rise! Wages fell under the pressure of unemployment, resulting in the growth of disposable (?) capital. This growth can only continue until all workers return to employment, and in Bauer's strange society this happens when wages are at their lowest point. But once the entire working population is employed, wages stop falling even in this strange society and, as in real life, they actually start to rise again. And as soon as they begin to rise the rate of 'accumulation' which – according to Bauer – can only grow from that source, must stop increasing. How, then, can it continue to grow towards the 'final' stage of 'over-accumulation' once all the workers are employed? In vain do we wait for an answer.

The *origin* of over-accumulation remains hidden from us, and so does the last act of the performance: the process by which over-accumulation is overcome and the state of equilibrium restored.

'If the rate of accumulation is too high (of course: in relation to the labour force and its growth, R.L.) then the reserve army is soon absorbed, wages rise, the rate of surplus value sinks.' This results in an even more rapid fall in the rate of profit than would otherwise be the result of increasing organic composition of

* *loc. cit.*, p. 870.

capital. This gives rise to 'a disastrous crisis, large-scale unemployment of capital, mass destruction of values and a sudden slump in the rate of profit', and once again we fall back into 'under-accumulation', since accumulation drops and 'the growth of variable capital again falls behind the population growth'.*

But why on earth does the 'disastrous crisis' occur at the height of over-accumulation? For Bauer, over-accumulation means only that variable capital increases faster than the population. More simply: the demand for labour is greater than the supply. And *that* causes a crisis in industry and commerce? Bauer avoids explanation, bringing a quotation by Hilferding to his aid: the crisis occurs 'when the previously described tendencies of a falling rate of profit grow stronger than the tendencies which have caused increases in prices and profits because of rising demand'. This quotation of Hilferding's explains nothing as far as Bauer is concerned, since it is not an explanation, but a complicated description of the crisis – and it breaks into Bauer's speculations like a fox into a chicken run.

Bauer never mentions a rising or falling 'demand' for commodities which might cause 'increases in prices and profits'. Bauer only sees the interaction of two figures: variable capital and the proletariat, i.e. 'population'. He never mentions demand for commodities or markets and their problems. Over-accumulation is nothing but a surplus of variable capital (i.e. demand for workers) in relation to its natural growth. This is the only 'demand' Bauer deals with. And *that* should cause a 'disastrous crisis'? This trick we want to see!

Certainly also, on our plain earth the outbreak of a crisis follows a situation where demand for labour is very strong, and wages rise. But in reality this phenomenon is not the *cause of the crisis*, but only its 'stormy petrel', as Marx calls it in the second volume of *Capital*; it is a mere subsidiary factor to circumstance, the relationship between *production and the market*.

In whatever way one tries to explain periodic crises theoretically, in reality they obviously stem from disproportions between production, i.e. the supply of commodities, and market, i.e. demand for commodities. The question of markets does not even exist for Bauer: his periodic crises stem from maladjustment

* *ibid.*, p. 871.

between demand for labour force, and the natural multiplication of the working class. Because workers do not reproduce as rapidly as the increasing demand of capital requires, a 'disastrous crisis' occurs. The periodic lack of labour is the sole cause of economic crises – that, indeed, is one of the most astonishing discoveries of Nationalökonomie,* not merely since Marx but since William Petty.†

Now we have seen capital in all its phases, and Bauer proceeds to make this conclusion of harmony:

'Capitalist production carries in itself the mechanism to bring up the retarded rate of accumulation to the level of population growth' (i.e. growth of the working population). And again he stresses:

Looking at the capitalist world economy as a whole, the tendency of accumulation to adjust with the growth of population appears as a cycle. Prosperity is over-accumulation, it destroys itself in the crisis. The following depression is a time of under-accumulation; it restores itself, as depression itself creates the conditions for a return to prosperity. *The periodic return to prosperity, crisis and depression is the empirical expression of the fact that the capitalist mode of production automatically overcomes over- and under-accumulation*, and accumulation of capital is again and again adjusted to the growth of population.‡

There can no longer be any mistake. Bauer's 'mechanism' rests simply on the following: at the centre of capitalist world economy is the working class. Economic life revolves around the axis of the working population and its natural growth. At one point variable capital is too small to employ all proletarians, and so it initiates growth through lower wages. At another time capital is over-extended and cannot find sufficient labour; it destroys itself in a crisis. In each case the entire movement of production

[* Usually translated as 'economics', but the German term has certain connotations which make literal translation impossible, Ed.]

[† William Petty (1623–87). Called by Marx the founder of political economy. Born into a poor weaving family in Hampshire, he led a very varied career as seaman, hawker, physician, professor of anatomy and music. Educated partly in France at a Jesuit college and at Oxford. Wrote numerous works on political economy, e.g. *Political Arithmetick*, *Political Anatomy of Ireland*, *A Treatise of Taxes and Contributions*.]

‡ *ibid.*, p. 872. (All emphasis by Bauer.)

is a constant effort to adjust to the number of workers and their natural reproduction.

That is the quintessence of Bauer's 'mechanism', his complicated mathematical tricks and explanations.

The reader, well-read in Marxism, may already guess what Copernican effort hides behind Bauer's theory of accumulation. But before we can fully appreciate this effort, we must see how Bauer can easily explain any feature of capitalist world economy:

The tendency of adjustment of accumulation to increases in population, controls international relations. Countries with a constant over-accumulation invest a large and growing part of their annual surplus value in foreign lands. Example: France and England. (Germany too, I hope, R. L.) Lands with constant under-accumulation draw capital from foreign countries and provide them with labour. Example: the agrarian countries of Eastern Europe.*

How well it all works, clear and to the point. One can almost see the smiling satisfaction with which Bauer, with the help of his newly won principle, solves, like a children's game, the most entangled problems. Let us enter into this game by touching on a few points.

There are countries 'with constant over-accumulation' and countries 'with constant under-accumulation'. But what is over-accumulation? What is under-accumulation? The answer follows on the next page: 'prosperity is over-accumulation, under-accumulation is depression'. Therefore there are countries with constant prosperity: England, France, Germany; and states with constant depression, the agrarian countries of Eastern Europe. Is it not wonderful? Second try: what is the cause of under-accumulation? The answer is on the previous page: 'The progress towards higher organic composition (simple: technological progress) leads to under-accumulation'. Countries with constant under-accumulation therefore must be the technologically most advanced—the agrarian countries of Eastern Europe. Countries with constant over-accumulation must be the countries with the slowest and weakest progress: England, France and Germany. Wonderful, is it not?

The crowning point of all seems to be North America. It has, at the same time, 'constant over-accumulation' and 'constant

* *ibid.*, p. 871.

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under-accumulation', energetic technological progress and slowest progress, constant prosperity and constant depression. It draws – what a miracle – capital *and* labour force, simultaneously *and* all the time, from other countries. . . .

Let us confront Bauer's 'mechanism' with Marx.

The quintessence of Bauer's theory is the adjustment of capital to the population and its growth. Over-accumulation means for Bauer that capital grows faster than does the proletariat; under-accumulation – that it grows slower. But what do we find in Marx? Bauer includes a paragraph from the third volume of *Capital*, where Marx deals with over-accumulation, in order to give the impression that his own theory is simply an 'unobjectionable' interpretation of Marx:

As soon as capital would, therefore, have grown in such a ratio to the labouring population that neither the absolute working-time supplied by this population, nor the relative surplus working-time, could be expanded any further (this last would not be feasible at any rate in the case when the demand for labour were so strong that there were a tendency for wages to rise); at a point, therefore when the increased capital produced just as much, or even less, surplus value than it did before its increase, there would be absolute over-production of capital; i.e. the increased capital $C + \Delta C$ would produce no more, or even less, profit than capital C before its expansion by ΔC . In both cases there would be a steep and sudden fall in the general rate of profit, but this time due to a change in the composition of capital not caused by the development of the productive forces, but rather by a rise in the money value of the variable capital (because of increased wages) and the corresponding reduction in the proportion of surplus labour to necessary labour.*

Bauer adds to this quotation: 'This point is the absolute limit of accumulation. Once it is reached, the adjustment of accumulation to growth of population brings about a "disastrous crisis",' etc. He thus makes the average reader assume that Marx's and his own theory are basically the same, only Bauer says it more concisely, using his own words.

Immediately before the passage quoted by Bauer Marx says: 'This plethora of capital arises from the same courses as those

* Marx, *Capital*, Vol. III, pp. 246–7.

which call forth relative over-population, and is, therefore, a phenomenon supplementing the latter, although they stand as opposite poles – unemployed capital at one pole and unemployed worker population at the other.* Marx is saying quite the opposite to Bauer: surplus of capital and surplus of working population both at the same time – result from the same, third circumstance. In the same chapter from which Bauer took his quotation on pp. 246–7, Marx says:

It is no contradiction that this over-production of capital is accompanied by more or less considerable relative over-population. The circumstances which increased the productiveness of labour, augmented the mass of produced commodities, expanded markets, accelerated accumulation of capital both in terms of its mass and its value, and lowered the rate of profit – these same circumstances have also created, and continuously create, a relative over-population, an over-population of labourers not employed by the surplus-capital owing to the low degree of exploitation at which alone they could be employed, or at least owing to the low rate of profit which they would yield at the given degree of exploitation.†

On the same page Marx says farther on

If capital is sent abroad, this is not done because it absolutely could not be applied at home, but because it can be employed at a higher rate of profit in a foreign country. But such capital is absolute excess capital for the employed labouring population and for the home country in general. It exists as such alongside the relative over-population, and this is an illustration of how both of them exist side by side, and mutually influence one another.‡

That is clear enough. And what is the title of this chapter of Marx? 'Excess Capital and Excess Population' (*Capital*, Vol. III, p. 245).

And there Bauer has the idea of taking a quotation from that chapter and adding on a sentence in order to give the impression he was simply illustrating Marx's thoughts. This chapter heading alone is strong enough to make Bauer's edifice crumble. Bauer's 'over-accumulation' and Marx's over-accumulation are two quite different economic terms, in fact opposites.

Bauer's over-accumulation is identical to prosperity, the highest demand for labour, the absorption of the industrial reserve army.

* *ibid.*, p. 246.

† *ibid.*, pp. 250–51.

‡ *ibid.*, p. 251.

Marx's excess capital is equivalent to excess of workers, highest unemployment; over-accumulation means crisis and depression. Bauer declares: periodically there is too much capital, because there are too many workers. Marx says: periodically there is too much capital and *as a result of that too many workers*. In relation to what is there 'too much' of both? In relation to the market under 'normal' conditions. As the market for capitalist commodities periodically grows too small, capital must remain unemployed and consequently part of the labour force as well. The connexions of economic causes and effects are as follows: the market for capitalist goods is the starting point at all times. On this and its movements the amount of variable capital depends. And on that depends the number of unemployed workers. In the third volume of *Capital* Marx clarifies that repeatedly. Thus on p. 240, where he deals with the 'internal contradictions' of capitalist production which adjusts itself 'through expansion of the outlying field of production'. Bauer also cites 'the expansion of the production field' as essential for accumulation, and adds his *idée fixe*: 'The field of production is expanded by the growth of population.'^{*} But Marx clearly states what he considers to be 'expansion of the outer field of production'. The 'market must, therefore, be continually expanded'.[†] Again on p. 250, after describing the crisis and its recovery: 'And thus the cycle would run its course anew. Part of the capital, depreciated by its functional stagnation, would recover its old value. For the rest the same vicious circle would be described once more under expanded conditions of production, with an expanded market and increased productive forces.'

And as we saw, on pp. 250-51:

The circumstances which increased the productiveness of labour, augmented the mass of produced commodities, expanded markets, accelerated accumulation of capital both in terms of its mass and its value and lowered the rate of profit – these same circumstances have also created and continuously create, a relative over-population, an over-population of labourers not employed by the surplus-capital . . .

It is clear that 'expansion of the outlying field of production' means the market and not the growth of the working population.

^{*} Bauer, *op. cit.*, p. 872.

[†] Marx, *op. cit.*, Vol. III, p. 240.

The expansion of the market is accompanied by excess of workers, increase of the army of the unemployed, shrinking of the purchasing power of the working class.

Again, on pp. 251-2:

To say that there is no general over-production, but rather a disproportion within the various branches of production [then -] It furthermore amounts to demanding that countries in which capitalist production is not developed, should consume and produce at a rate which suits the countries with capitalist production.

Here Marx literally states that the crisis does not result from disproportionality in disposable capital and disposable labour force, but from the disproportionality of exchange between capitalist and non-capitalist countries. He even claims this exchange to be the natural basis for accumulation. And a few lines further on: 'How could there otherwise be a shortage of demand for the very commodities which the mass of the people lack, and how would it be possible for this demand to be sought abroad, in foreign markets, to pay the labourers at home the average amount of necessities of life?' Here he states very clearly that the rate of employment in capitalist countries depends on the possibility of finding 'foreign markets' for capitalist commodities.

All this says enough about Bauer using quotations from Vol. III. But he goes on to quote from *Theories of Surplus Value*, Vol. II, p. 477; 'Population increase appears as the basis of accumulation as a continuous process.' Could that be Bauer's theory in a nutshell? Well, again, he just picked a raisin out of the cake. The whole passage reads rather differently. Marx investigates here the conditions of the 'Transformation of Revenue into Capital', i.e. the productive investment of surplus value. He explains that the additional portion of capital must be converted into one larger part of constant capital and one smaller part of variable capital.

To begin with, a portion of the surplus value (and the corresponding surplus product in the form of means of subsistence) has to be transformed into variable capital, that is to say, new labour has to be bought with it. This is only possible if the number of labourers grows or if the labour time during which they work is prolonged.*

* Marx, *Theories of Surplus Value*, Vol. II, p. 477.

The latter happens when workers who are only employed for part of the time become fully employed, or when the working day is extended beyond its normal length. Also, additional strata of the proletariat, who have not yet worked productively, may be required: women, children, paupers.

Finally (says Marx), together with the growth of the population in general, the labouring population can grow absolutely. If accumulation is to be a steady continuous process, then this absolute growth in population – although it may be decreasing in relation to the capital employed – is a necessary condition.*

And now comes the little sentence extracted by Bauer: 'An increasing population appears to be the basis of accumulation as a continuous process.'

This is what Marx says on the very same page of *Theories of Surplus Value* as Bauer brings on to the field as a classic witness for his 'mechanism'. If there is anything the reader must immediately grasp from this quotation, it is that Marx's reasoning is as follows: if accumulation, i.e. expansion of production, is to take place, then additional labour is also needed. Thus there can be no constant expansion of production without an increasing working population. Even the simplest worker can understand that. In this sense, 'an increasing population appears to be the basis of accumulation'.

But Bauer's question was not whether an increase in the working population was *needed* for accumulation (no one ever denied that), but whether it is a sufficient condition. Marx says: accumulation cannot take place *without* an increasing population. Bauer changes this to read: an increasing working population is *sufficient* for accumulation to take place. Here, Marx *presupposes* accumulation, he assumes the possibility of an easy market; what he is investigating are the *forms* in which accumulation occurs, and there he finds that the increasing labour force is, among other things, necessary. Bauer takes the increase in the number of workers as a *given* factor, on account of which and according to which production expands with no further concern about the market! This is the same inversion of Marx's thought as in the classic quotations from the third volume of *Capital*.

* *loc. cit.*

But perhaps we are reading too much into Marx's quotation; perhaps Bauer could give Marx's words *his own* interpretation, or shall we say misinterpretation? And yet it is quite puzzling how anybody can misunderstand Marx on this point, providing they have read the chapter properly. For a few pages farther on he articulates his basic thought and the real problem of his analysis in the following clear words:

'The question has now to be formulated thus: *assuming general accumulation* (Marx's emphasis), in other words, assuming that capital is accumulated to some extent in all branches of production – this is in fact a condition of capitalist production . . . – what are the *conditions* of this general accumulation, what does it amount to?' And he answers: the conditions are 'that labour power was bought with one part of the money capital and means of production with the other'.*

And at the same time, to clear up any doubt, as if he had a premonition of his 'expert' pupils, he adds:

We disregard here the case in which more capital is accumulated than can be invested in production, and for example lies fallow in the form of money at the bank. This results in loans abroad, etc., in short speculative investments. Nor do we consider the case in which it is impossible to sell the mass of commodities produced, crises, etc. This belongs to the section on competition. *Here we examine only the forms of capital in the various phases of its process*, assuming throughout that the commodities are sold at their value.†

Thus, Marx assumes the expansion of the market, the *possibility* of accumulation, and only investigates what follows from that. One result is the employment of new workers, and for that an increase in the working population is necessary. From this Bauer deduces: *in order for* accumulation to take place, it suffices that the working population grows, indeed accumulation takes place *because* the working population grows. The objective purpose and aim of accumulation and its 'mechanism' is to adjust to the growth in the working population.

Man has to breathe air as a condition of his existence. Conclusion *à la* Bauer: man lives on air, he lives *in order to* breathe air, his entire life process is nothing but the 'automatic' adjustment

* *ibid.*, p. 483.

† *ibid.*, p. 484. (My emphasis, R. L.)

of his bodily mechanism to inhalation and exhalation. Such are the wonderful results reached by running about with one's stick in the air of abstract stupidity!

But the fun ends here, for the matter is anything but funny. He is not dealing with little me and my book any more, but with the elementary concepts of Marx's own teaching. We can now leave the steep and misty heights of the third volume and *Theories of Surplus Value* which, with a few exceptions, are unfortunately hardly known to the Marxist public. We return to the first volume of *Capital*, which has so far formed the actual economic basis of social democracy. Here every reader who is familiar with the first volume of Marx's *magnum opus* can easily examine Bauer's theory for himself: he need only open the twenty-fifth chapter to read on p. 637:

'For modern industry with its decennial cycles . . . that would indeed be a beautiful law, which pretends to make *the action of capital dependent on the absolute variation of the population*, instead of regulating the demand and supply of labour by the alternate expansion and contraction of capital,'* i.e. *according to its requirements*. Marx means the old 'dogma' of bourgeois economy; the so-called wage fund. It took the available social capital as a quite specific, given amount and made the employed workers dependent on their natural growth. Marx polemicizes against this 'dogma' in detail, and in the process accidentally delivers one rebuke after another to his 'expert' pupil.

On p. 640 he teaches him:

The demand for labour is not identical with increase of capital, nor supply of labour with increase of the working class. It is not a case of two independent forces working on one another. *Les deux sont pipés. Capital works on both sides at the same time*. If its accumulation, on the one hand, increases the demand for labour, it increases on the other the supply of labourers by the 'setting free' of them . . . †

In Bauer's 'mechanism' the industrial reserve army develops as a consequence of retarded, too slow, accumulation. He says categorically: 'The first effect of under-accumulation is the formation of an industrial reserve army.' ‡ The smaller the capital accu-

* My emphasis, R. L.

† My emphasis, R. L.

‡ Bauer, *op. cit.*, p. 869.

mulation, the larger the reserve army. This is what Bauer says. Four pages after the above-cited quotation Marx teaches him:

The greater the social wealth, *the functioning capital, the extent and energy of its growth*, and, therefore, the absolute mass of the proletariat and the productiveness of its labour, *the greater is the industrial reserve army. The same causes which develop the expansive power of capital, develop also the labour-power at its disposal.**

On the same page Marx says sarcastically: 'The folly is now patent of the economic wisdom that preaches to the labourers the accommodation of their number to the requirements of capital. *The mechanism of capitalist production and accumulation constantly effects this adjustment.*'†

Which is the greater 'folly': the old bourgeois one, which preaches to the workers to adjust their reproduction to capital, or the new 'Austro-Marxist' one, which tells the workers that capital always adjusts to their numbers? I believe the latter is worse. The old 'folly' was only the incomprehending subjective reflection of real relations, while the new one turns reality upside down.

Throughout the chapter dealing with the labouring population and its growth Marx talks about 'requirements' of capital. Demand for labour, wage levels, prosperity or crisis all depend on *these*. What are these 'requirements' which Marx mentions all the time and Bauer not once in his entire 'mechanism'?

In the same chapter Marx talks continuously about capital's 'sudden expansions', to which he attributes primary importance in the movement of capital accumulation as well as that of the working population. Indeed, the sudden and limitless ability to expand is, according to Marx, a characteristic feature of modern industrial development. What are we to understand by these 'sudden expansions' of capital, which were so important for Marx and which Bauer does not even mention?

Marx gives a clear answer to both questions at the beginning of the same chapter [on p. 613]:

'... since lastly, under special stimulus to enrichment, such as *the opening of new markets, or of new spheres for the outlay of*

* Marx, *op. cit.*, p. 644. (My emphasis, R. L.)

† My emphasis, R. L.

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capital in consequence of newly developed social wants, etc., the scale of accumulation may be suddenly extended. . . .*

And again in more detail, on p. 632:

With accumulation, and the development of the productiveness of labour that accompanies it, the power of sudden expansion of capital grows also; it grows, not merely because the elasticity of the capital already functioning increases, not merely because the absolute wealth of society expands, of which capital only forms an elastic part, not merely because *credit, under every special stimulus, at once places an unusual part of this wealth at the disposal of production in the form of additional capital*. . . . The mass of social wealth, overflowing with the advance of accumulation, and transformable into additional capital, thrusts itself frantically into old branches of production, *whose market suddenly expands, or into newly formed branches*, such as railways, etc., the need for which grows out of the development of the old ones. In all such cases, there must be the possibility of throwing great masses of men suddenly on the decisive points without injury to the scale of production in other spheres. Over-population supplies these masses.†

Here Marx does not only explain how these sudden expansions of capital take place – namely, as a result of sudden expansion in the markets – but he also formulates *the special function of the industrial reserve army*: to be ‘available’ for those extraordinary sudden expansions of capital. Here Marx sees the most important, the actual function of the industrial reserve army, for which he calls it an existential condition of modern capitalist production. The formation of industrial over-population is ‘the lever of capitalistic accumulation, nay, a condition of existence of the capitalist mode of production. . . . The whole form of the movement of modern industry depends, therefore, upon the constant transformation of a part of the labouring population into unemployed or half-employed hands.’‡ Marx formulates his opinion most clearly and concisely on p. 450:

So soon, in short, as the general conditions requisite for production by the modern industrial system have been established, this mode of production acquires an elasticity, a capacity for sudden extension by leaps and bounds that finds no hindrance except in the supply of raw material and in the disposal of the produce.§

* My emphasis, R. L.

‡ *ibid.*, p. 632–3. (My emphasis, R. L.)

† My emphasis, R. L.

§ *ibid.*, p. 450.

How does Bauer deal with all this? There is no room for sudden expansions of capital in his 'mechanism', thus no room for its elasticity. There are two reasons for this: firstly, as production depends only on the working population and its growth, markets are of no importance. The population, growing through natural reproduction, of course shows no sudden expansion. The working population periodically causes rapid growth of the industrial reserve army, but for Bauer that happens in times of 'under-accumulation', of the slowest increase, of the shortage of disposable capital in relation to the working class.

Secondly, sudden expansion not only means sudden expansion of markets, but also of already accumulated disposable *capital reserve*, that reserve, which, as Marx says, 'credit, under every special stimulus, at once places . . . at the disposal of production in the form of additional capital'. Bauer excludes that possibility: in his 'mechanism' a recovery from the phase of 'under-accumulation' can only occur when the pressure from unemployment allows new accumulation by depressing wages!

As the sudden expansion of capital remains, like the outbreak of crises, inexplicable from Bauer's standpoint, the industrial reserve army has no actual function in it. It appears as a product of technological progress, but has no role apart from that mentioned by Marx in his second plan: to depress wages by weighing down the employed. What makes it, according to Marx, an 'existential condition', the 'lever' of capitalist production, Bauer does not notice. The humorous process of being absorbed three times in the run of an industrial cycle proves that Bauer does not know what to do with the reserve army: first, at the lowest point of 'under-accumulation', then at the peak of 'over-accumulation', and again at the state of equilibrium.

These miracles have a simple reason: for Bauer the movement of the working population is not caused by capital and its requirements (as for Marx and in reality) but vice versa. The entire movement of capital revolves round the working population. According to Bauer, capital acts like the hare and the hedgehog: it is always gasping for breath behind the working population, sometimes overtaking it in the middle, at others falling behind it, and at the end always hearing: Hey, I got here before you!

For Marx, the theory that the working population completely

adjusts to capital and its market prospects is the basic thought of the entire last section of the first volume. In forty pages, pp. 609–648, he carefully explains this important economic discovery. ‘*That is the absolute general law of capital accumulation,*’ he emphasizes in conclusion. Then ‘illustrations’ follow, filling another sixty-five pages. What does he show from the example of England as the typical and leading country of capitalist production? – *while the annual growth of the population in England constantly decreased from 1811–61, the wealth, i.e. capitalist accumulation, expanded by leaps and bounds!* Marx proves that with innumerable and varied statistical facts.

Perhaps Bauer will interject: This huge increase of nineteenth-century English industry was, of course, not calculated for the English population alone and must not be compared with it alone as the economic basis. Note the English sales to the North American Union, Central and South America; note the periodic crises in English industry between 1825 and 1867, following the expansion of markets in those countries! Brilliant! But if Bauer knows that, then he knows everything, then he also knows that this theory of the adjustment of accumulation to population growth is nonsense, then he knows what Marx wanted to prove in the first volume of *Capital*, that the working population adjusts to the accumulation of capital and its changing requirements. This is the culminating point of the first volume of *Capital*. Marx compiles the spirit of his theory of capitalist exploitation, the primary relation between capital and labour, and the special ‘law of population’ in the capitalist period.

Along comes Bauer, who turns this whole edifice upside down and tells the world that the entire movement of capital results from the tendency to adjust to the increase of the working population! In terms of content Bauer’s theory is a soap bubble.

Correct him by assuming with Marx a permanent formation of the industrial reserve army (whose function it is to satisfy the demands of capital even in times of the greatest prosperity), and his specific ‘over-accumulation’ is finished.

Correct him by assuming with Marx a constant relative decrease of variable capital in relation to the number of workers as a result of technological progress, and his ‘equilibrium’ is finished.

His theory vanishes into thin air. But more than the pretentious-

ness of this construction is the basic idea behind it: the alleged tendency of capital to adjust its movement to the working population. This casts the very spirit of Marx's theory to the wind. And to think that this pedantically puzzled out system of hair-raising nonsense could be published in the official organ of Marxist theory! Eagerly fighting for a good cause – an insolent heretic was to be burnt – they did not notice that they were attacking somebody bigger! General control and public criticism keep watch over the natural scientists. Anyone who claimed to give the exact calculation for the movement of all stars around the earth, in order to explain modern astronomic systems, would not be taken seriously. Such an idea would not even come to the attention of the public, since no editor of a scientific journal would let such nonsense pass. Under the regime of the 'Austro-Marxist' diadoches* such things can easily happen. Pronounced from that rostrum, Bauer's theory of accumulation is not a common error, such as can occur in the quest for scientific knowledge. It is, quite apart from its position towards my book, a disgrace to present official Marxism and a scandal for Social Democracy.

[* successors.]

BAUER'S 'PRACTICAL' CONCLUSIONS

This is the limit of Bauer's own explanation of capital accumulation. What is its practical conclusion? Bauer expresses it as follows:

The result of our investigation is (1) that capital accumulation is possible even in isolated capitalist society, provided that it does not extend beyond a certain defined limit (i.e. the growth of the working population, R. L.); and (2) that the mechanism of capitalist production itself automatically brings it back to this limit.*

Immediately afterwards, Bauer summarizes the quintessence of the practical application of his theory in a concluding chapter, where we read:

Comrade Luxemburg explains imperialism in the following way: the conversion of surplus value into capital would be impossible in an isolated capitalist society. This is possible only if the class of capitalists expands its market continuously, so that it can sell that part of the surplus value which contains the accumulated part of surplus value in areas as yet without capitalist production. This is the object of imperialism. As we have seen, this explanation is incorrect. *Accumulation is both possible and necessary even in isolated capitalist society.*†

Thus Bauer, by way of a diversion in the form of a newly discovered 'population theory', clings like the other 'experts' to his proof that capitalist production and accumulation can thrive even under conditions which no mortal being has yet set eyes upon. And he thinks he can use this as a basis for an approach to the problem of imperialism!

Let us make one thing clear: in the process of appearing to defend Marx's ideas as expressed in the second volume of *Capital* against me, Bauer once again ascribes to Marx a discovery which runs directly counter to Marx's assumption.

Marx was definitely not dealing with an 'isolated capitalist society' and its simultaneous coordinate assumption of the

* *Neue Zeit*, 1913, No. 24, p. 873.

† *loc. cit.* (My emphasis, R. L.)

existence of other, non-capitalist societies, and I have never referred to such a society. This tasteless picture appeared for the first time, like Venus from the waves, in Otto Bauer's theoretical imagination. Let us remind ourselves how Marx formulated his premise. In the first volume of *Capital* he expressly states his intention of assuming, 'in order to examine the object of our investigation in its integrity, free from all disturbing subsidiary circumstances', that 'the whole world (is) one nation', which formed an economic whole and 'that capitalist production is everywhere established and has possessed itself of every branch of industry'.* And in the second volume he states equally explicitly that his investigation of accumulation is based on '*the general and exclusive domination of capitalist production*'.†

That is very explicit. Thus Marx did not assume the childish fantasy of a capitalist society on Robinson Crusoe's island which secretly thrives 'isolated' from continents of non-capitalist peoples, of a society in which capitalism has developed to the highest possible level (since the population consists solely of capitalists and workers), which knows nothing of either artisans or peasantry and has absolutely no connexion with the surrounding non-capitalist world. Marx's premise is no fantastic absurdity, it is a scientific fiction. In fact, Marx presupposes the *real tendency* of capitalist society. He assumes that the state of total and universal rule of capitalism has already been reached, that highest development of the world market and world economy which capital and every present economic and political development is *in fact* heading for. Thus, Marx is placing his investigation on the tracks of the real historical tendency of development, whose final goal he takes as already reached. Scientifically speaking, this method is quite correct and, as I have shown in my book, completely sufficient for the investigation of the accumulation of individual capital, even if, as I believe, it becomes incorrect and misleading when applied to the main problem: the accumulation of aggregate social capital.

Bauer, on the other hand, produces the grotesque picture of an 'isolated capitalist economy' with no intermediate strata, no artisans and no peasants, which never has existed and never will, and which has nothing to do with reality and the tendency of

* p. 581, footnote.

† p. 348. (My emphasis, R. L.)

development; a creation, therefore, whose ingenious 'mechanism' contributes as little to clarifying the laws of capitalist accumulation as Vaucanson's* famous mechanical models did to explaining the physiology and psyche of the human organism. Until now only bourgeois economists employed the naïve device of an 'isolated economy', using this puppet to demonstrate the laws of global capitalist production. Nobody mocked the bourgeois 'Robinsonians' as cruelly as Marx. And to cap it all, Bauer's Robinsonian escapades are meant to explain Marx and put him on an 'objective basis'.

But Bauer has good reasons for his 'explanation'. For if, like Marx, one assumes that the 'general and exclusive domination of capitalist production' has already been universally attained, one excludes imperialism and no explanation can be found for it, since it has already been historically overtaken, killed and buried by the very assumption. Under this assumption one can as little describe the process of the imperialist phase as, for instance, one can portray the collapse of the Roman Empire under the assumption of the already existing general rule of feudalism in Europe. Faced with the task of uniting present-day imperialism with the theory of accumulation as sketched in the fragment in the second volume of *Capital*, the 'expert' epigons should have opted for one of the following: either deny that imperialism is a historical necessity or, as I do in my book, reject Marx's premise as mistaken and investigate the process of accumulation under historically given conditions: as capitalist development continuously interacting with a non-capitalist environment. A man like Eckstein, who has understood nothing about the matter in hand, is obviously not faced with the difficulty of choosing between the two alternatives. But Otto Bauer, who eventually saw the trap, finds his solutions, as a typical representative of the 'Marxist centre', in a compromise: capitalism can indeed thrive on Robinson Crusoe's island, but there is still a 'limit' to its thriving in isolation, and it can only overcome this limit by trading with the non-capitalist environment. 'There is a kernel of truth behind the false explana-

[* Jacques Vaucanson (1709-82). French inventor. Invented the first mechanical loom, also a mechanical 'human' flute player and a mechanical duck that swam, quacked, flapped its wings and ate food, and many other mechanical devices.]

tion (i.e. mine, R. L.),' he announces in conclusion. 'Accumulation is not impossible in an isolated capitalist society, but it is *placed within limits. Imperialism in fact serves to expand these limits.* – This urge is, in fact, one of the roots of imperialism, but not the only one.'*

Thus Bauer himself did not consider his Robinsonian notion of an 'isolated capitalist economy' to be sufficient as a scientific premise, i.e. as a serious single basis for investigation; on the contrary, he constructed it with one eye looking ahead to the other, non-capitalist countries. He treated us to a fulsome dissertation on the ingenious 'mechanism' of a capitalist society which could exist and prosper all on its own, all the time keeping the non-capitalist environment in reserve so that he could use it at the end to drag himself out when he became bogged down with having to explain imperialism in Robinson Crusoe's island!

The careful reader of the footnotes and occasional critical remarks in the first volume of *Capital*, where Marx deals with the theoretical trickery of Say, J. S. Mill, Carey, etc., can probably imagine the punishment which Marx would have meted out to that sort of scientific method.

* *op. cit.*, pp. 873–4.

IMPERIALISM

However that may be, we have at last arrived at imperialism. The concluding chapter of Bauer's essay is entitled 'The Explanation of Imperialism'. After this, the reader might well hope finally to find one. After Bauer had explained that I had only uncovered *one root* of imperialism, 'but not the only one', one could only expect that, from the standpoint of his theory, he himself would lay bare the *other* roots. Unfortunately, this was not the case. To the end, Bauer fails to give one single indication of the other roots, he keeps the secret to himself. In spite of the concluding chapter's promising title and introduction we are still left with only the one miserable 'root' of imperialism, which forms the 'kernel of truth' in my incorrect explanation.

In doing this, however, Bauer has already conceded too much to me, in the shape of the '*one root*' which he kindly accepts as 'true'. For here too it is a case of either/or, and the compromise which Bauer tries to make is basically as impermanent and ethereal as most compromises.

For if his 'population growth' theory of accumulation were correct, the 'root' would be completely unnecessary, since then imperialism would simply be impossible.

Let us remind ourselves what Bauer's 'mechanism' consists of. It consists in the fact that capitalist production automatically readjusts itself to the growth of the working class. Then how can one speak of a 'limit' to accumulation? Capital neither needs to nor can it overstep this 'limit'. For if production grows faster than the working class – in Bauer's 'over-accumulation' phase – it compensates for this by lagging behind the available working population again in the following phase of 'under-accumulation'. In this way there is in general no surplus capital in Bauer's 'mechanism' which could outgrow his 'limit'. Yet for the same reason this theory, as we have seen, excludes the formation of reserve capital and the ability of production to expand suddenly. Surplus capital appears as only a passing phase which must

periodically be replaced by the opposite extreme, capital shortage: in Bauer's 'mechanism' both phases replace each other with the pedantic regularity of new moon and full moon. There are no more 'limits' to capital accumulation than there is a tendency for these to be exceeded; Bauer himself explicitly states that accumulation always returns to this limit *of its own accord*, due to the 'mechanism of capitalist production itself'.* Thus, there is no conflict between capital's ability to expand and an alleged limitation. Bauer only takes the trouble to include these concepts in his 'mechanism' so that he can build some sort of artificial bridge between it and imperialism. The explanation which he is compelled to give of imperialism from the standpoint of his theory shows most clearly that this construction is forced.

Since, according to Bauer, the working class is the axis around which capital revolves, expansion of the limits to accumulation comes to mean increase in the population of workers! This is down in black and white in *Neue Zeit*.†

Accumulation is at first limited by the growth of the working population. Imperialism increases the number of workers who are forced to sell their labour power to capital. It accomplishes this by destroying the old modes of production in colonial areas and thereby forcing millions either to emigrate to capitalist areas or to serve European or American capital in their native land, where the capital has been invested. Since with a given organic composition of capital the amount of accumulation is determined by the growth in the available working population, imperialism is in fact a means to enlarge the limits of accumulation.

So this is the main function and the main concern of imperialism: to increase 'greatly' the number of workers, either by immigration from the colonies or in their own country! And this, despite the fact that anyone who is in full possession of his senses is aware, *on the contrary*, of the continual presence of a complete, consolidated industrial reserve army of the proletariat and unemployment in the home countries of imperialist capital, in the old capitalist countries, whilst in the colonies capital is always complaining about labour shortage! Thus, in its urge for new wage proletarians, imperialist capital escapes from those countries where rapid technological progress, the energetic process of the

* *Neue Zeit*, 1913, No. 24, p. 873.

† *loc. cit.*

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proletarianization of the intermediate strata and the destruction of the proletarian family are continually replenishing the labour reserve; it prefers to flow to the very parts of the world in which rigid social relations in traditional forms of property keep the labour force in such strong shackles that it takes decades of the crushing impact of the domination of capital to produce, as the final result of this domination, a semi-usable proletariat!

Bauer fantasizes about a 'giant' stream of workers coming from the colonies to the old centres of capitalist production, while anyone with eyes can see that, *on the contrary*, workers emigrate to the colonies, along with the emigration of capital from the old centres to the colonies, which, as Marx says, 'indeed only follows emigrating capital'. Indeed, look at the 'giant' stream of people from Europe settling in North and South America, South Africa and Australia in the nineteenth century. Look at the different modes of 'moderate' slavery and forced labour European and North American capital employs to secure the necessary minimum of labour in the African colonies, in the West Indies, South America and the South Seas.

According to Bauer, English capital fought long and bloody wars with China for half a century to secure a 'giant' stream of Chinese coolies to meet the drastic lack of English workers. The same urgent need must have caused the united European crusade against China at the turn of the century. French capital was obviously mainly after the Berbers in Morocco to compensate for its deficit of French proletarians. Naturally, Austrian imperialism in Serbia and Albania was primarily hunting for fresh labour. German capital is now scouring Asia Minor and Mesopotamia with a torch for Turkish industrial workers, all the more as there was such a shocking lack of labour in all sectors in Germany before the World War! Clearly, Otto Bauer, 'as a man who speculates', has yet again forgotten our plain earth. He cold-bloodedly interprets modern imperialism as capitalism in search of new labour. This is meant to be the nucleus, the innermost principle motivating imperialism. Only as a matter of secondary importance does he mention the need for overseas raw materials, which has no economic connexion with his theory of accumulation, and comes like a bolt from the blue. If accumulation in the specific 'isolated capitalist society' can flourish as well as Bauer

shows us, then it must have at hand all the necessary natural treasures and gifts from heaven on the miraculous island – quite different from the miserable capitalism of harsh reality, which from its very inception has depended for its existence on the world's means of production. And finally, in the third place, Bauer quite casually mentions in two sentences the acquisition of new markets as a minor motive for imperialism, and only as another means to mitigate the crises. This, of course, is another 'nice thing to say'; as is commonly known on our planet, any considerable expansion of the market is followed by an enormous sharpening of the crises.

This is the 'explanation of imperialism' Otto Bauer finally gives: 'In our opinion capitalism is possible even without expansion.'^{*} This is the culmination of his theory of 'isolated' accumulation, and we are left with the consoling assurance that one way or the other, 'with or without expansion capitalism will bring about its own downfall . . . '.

That is historical materialist research method in 'expert' execution. So capitalism is also conceivable even without expansion. Indeed, for Marx the urge of capitalism to expand suddenly forms a vital element, the most outstanding feature of modern development; indeed, expansion has accompanied the entire history of capitalism and in its present, final, imperialist phase, it has adopted such an unbridled character that it puts the whole civilization of mankind in question. Indeed, this untamable drive of capital to expand has gradually constructed a world market, connected the modern world economy and so laid the historical basis for socialism. Indeed, the proletarian International, which is to make an end of capitalism, is itself only a product of the global expansion of capital. But all this is quite unnecessary, a different historical course is conceivable. Indeed, is anything 'inconceivable' for a powerful thinker? 'In our opinion capitalism is conceivable even without expansion.' In our opinion modern development is conceivable even without the discovery of America and the circumnavigation of Africa. If one thinks about it for long enough one can even conceive of man's history without capitalism. Finally, the solar system is conceivable without our earth. German philosophy is perhaps conceivable without its 'metaphysical

^{*} *loc. cit.*, p. 874.

clumsiness'. Only one thing seems to us to be quite inconceivable: that an official Marxism which thinks in this way could, as the intellectual *avant garde* of the Labour movement in the phase of imperialism, have resulted in something other than the miserable fiasco of Social Democracy which we have to witness today in the World War.

Of course, tactics and strategy in the practical struggle are not directly dependent on whether one considers the second volume of *Capital* to be a finished work or just a fragment, whether one believes in the possibility of accumulation in an 'isolated' capitalist society or not, whether one interprets Marx's models of reproduction one way or the other. Thousands of proletarians are good and brave fighters for the aims of socialism without knowing about these theoretical problems – for the reasons of a common basic understanding of the class struggle, an incorruptible class instinct and the revolutionary traditions of the movement. But there is the closest connexion between the understanding and treatment of theoretical problems and the practice of political parties over long periods. In the decade before the World War, German Social Democracy, as the international metropolis of proletarian intellectual life, displayed total harmony in theoretical as well as practical areas; in both areas the same indecision and ossification appeared, and it was the same imperialism as the overwhelmingly dominant manifestation of public life which defeated the theoretical as well as the political general staff of Social Democracy. The proud monolithic edifice of official German Social Democracy was revealed at its first historical trial to be a Potemkin village.* Similarly, the apparent theoretical 'expert knowledge' and infallibility of official Marxism, which blessed every practice of the movement, turned out to be a grandiose façade hiding its inner insecurity and inability to act behind intolerant and insolent dogmatism. The sad routine moving along the old tracks of the 'tried and tested tactics', i.e. nothing

[* Potemkin villages. Gregory Alexandrovich Potemkin (1724–91), the most outstanding personality of the time of Catherine the Great, and said to have been Catherine's lover, was authorized by the Empress to organize 'New Russia' in the South. He brought old ports up to date, set up new villages and founded Ekaterinislav (Catherine's Glory). His critics alleged that his villages were cardboard fronts, built to deceive the Empress when she toured the area.]

but parliamentarianism, corresponded to the theoretical epigons who clung to the master's formula whilst renouncing the living spirit of his teachings. We have already noted in passing some proof of this thoughtlessness in the 'supreme court' of 'experts'.

But the connexion with practice is in our case even more obvious than it may seem at first sight. It basically means two different methods of fighting imperialism.

Marx's analysis of accumulation was developed at a time when imperialism had not yet entered on to the world stage. The final and absolute rule of capital over the world – the precondition on which Marx bases his analysis – entails the *a priori* exclusion of the process of imperialism. But – and here lies the difference between the errors of a Marx and the crass blunders of his epigons – in this case even the error leads on to something fruitful. The problem posed and left unanswered in the second volume of *Capital* – to show how accumulation takes place under the exclusive rule of capitalism – is insoluble. Accumulation is simply impossible under these conditions. This apparently rigid theoretical contradiction has only to be translated into historical dialectics, in that it conforms to the spirit of the entire Marxist teaching and way of thinking, and the contradiction in Marx's model becomes the living mirror of the global career of capitalism, of its fortune and fall.

Accumulation is impossible in an exclusively capitalist environment. Therefore, we find that capital has been driven since its very inception to expand into non-capitalist strata and nations, ruin artisans and peasantry, proletarianize the intermediate strata, the politics of colonialism, the politics of 'opening-up' and the export of capital. The development of capitalism has been possible only through constant expansion into new domains of production and new countries. But the global drive to expand leads to a collision between capital and pre-capitalist forms of society, resulting in violence, war, revolution: in brief, catastrophes from start to finish, the vital element of capitalism.

Capital accumulation progresses and expands at the expense of non-capitalist strata and countries, squeezing them out at an ever faster rate. The general tendency and final result of this process is the exclusive world rule of capitalist production. Once this is reached, Marx's model becomes valid: accumulation, i.e. further

expansion of capital, becomes impossible. Capitalism comes to a dead end, it cannot function any more as the historical vehicle for the unfolding of the productive forces, it reaches its objective economic limit. The contradiction in Marx's model of accumulation is, seen dialectically, only the living contradiction between the boundless expansionist drive and the limit capital creates for itself through progressive destruction of all other forms of production; it is the contradiction between the huge productive forces which it awakens throughout the world during the process of accumulation and the narrow basis to which it is confined by the laws of accumulation. Marx's model of accumulation – when properly understood – is precisely in its insolubility the exact prognosis of the economically unavoidable downfall of capitalism as a result of the imperialist process of expansion whose specific task it is to realize Marx's assumption: the general and undivided rule of capital.

Can this ever really happen? That is, of course, theoretical fiction, precisely because capital accumulation is not just an economic but also a political process.

Imperialism is as much a historical method for prolonging capital's existence as it is the surest way of setting an objective limit to its existence as fast as possible. This is not to say that the final point need actually be attained. The very tendency of capitalist development towards this end is expressed in forms which make the concluding phase of capitalism a period of catastrophes.*

The more ruthlessly capital uses militarism to put an end to non-capitalist strata in the outside world and at home, the more it depresses the conditions of existence of all working strata, the more the day-to-day history of capital accumulation on the world stage changes into an endless chain of political and social catastrophes and convulsions; these latter, together with the periodic economic catastrophes in the shape of crises, make continued accumulation impossible and the rebellion of the international working class against the rule of capital necessary, even before it has economically reached the limits it set for itself.†

Here, as elsewhere in history, theory is performing its duty if it shows us the *tendency* of development, the logical conclusion to

* Luxemburg, *The Accumulation of Capital*, p. 425. [See p. 446, London edn.]

† *ibid.*, p. 445. [p. 466, London edn.]

which it is objectively heading. There is as little chance of this conclusion being reached as there was for any other previous period of social development to unfold itself completely. The *need* for it to be reached becomes less as social consciousness, embodied this time in the socialist proletariat, becomes more involved as an active factor in the blind game of forces. In this case, too, a correct conception of Marx's theory offers the most fruitful suggestions and the most powerful stimulus for this consciousness.

Modern imperialism is not the prelude to the expansion of capital, as in Bauer's model; on the contrary, it is only the last chapter of its historical process of expansion: it is the period of universally sharpened world competition between the capitalist states for the last remaining non-capitalist areas on earth. In this final phase, economic and political catastrophe is just as much the intrinsic, normal mode of existence for capital as it was in the 'primitive accumulation' of its development phase. The discovery of America and the sea route to India were not just Promethean achievements of the human mind and civilization but also, and inseparably, a series of mass murders of primitive peoples in the New World and large-scale slave trading with the peoples of Africa and Asia. Similarly, the economic expansion of capital in its imperialist final phase is inseparable from the series of colonial conquests and World Wars which we are now experiencing. What distinguishes imperialism as the last struggle for capitalist world domination is not simply the remarkable energy and universality of expansion but – and this is the specific sign that the circle of development is beginning to close – the return of the decisive struggle for expansion from those areas which are being fought over back to its home countries. In this way, imperialism brings catastrophe as a mode of existence back from the periphery of capitalist development to its point of departure. The expansion of capital, which for four centuries had given the existence and civilization of all non-capitalist peoples in Asia, Africa, America and Australia over to ceaseless convulsions and general and complete decline, is now plunging the civilized peoples of Europe itself into a series of catastrophes whose final result can only be the decline of civilization or the transition to the socialist mode of production. Seen in this light, the position of the proletariat with regard to imperialism leads to a general confrontation with the

rule of capital. The specific rules of its conduct are given by that historical alternative.

According to official 'expert' Marxism, the rules are quite different. The belief in the possibility of accumulation in an 'isolated capitalist society', the belief that capitalism is conceivable even without expansion, is the theoretical formula of a quite distinct tactical tendency. The logical conclusion of this idea is to look on the phase of imperialism not as a historical necessity, as the decisive conflict for socialism, but as the wicked invention of a small group of people who profit from it. This leads to convincing the bourgeoisie that, even from the point of view of their capitalist interests, imperialism and militarism are harmful, thus isolating the alleged small group of beneficiaries of this imperialism and forming a bloc of the proletariat with broad sections of the bourgeoisie in order to 'moderate' imperialism, starve it out by 'partial disarmament' and 'draw its claws'! Just as liberalism in the period of its decline appeals for a well-informed as against an ill-informed monarchy, the 'Marxist centre' appeals for the bourgeoisie it will educate as against the ill-advised one, for international disarmament treaties as against the disaster course of imperialism, for the peaceful federation of democratic nation states as against the struggle of the great powers for armed world domination. The final confrontation between proletariat and capital to settle their world-historical contradiction is converted into the utopia of a historical compromise between proletariat and bourgeoisie to 'moderate' the imperialist contradictions between capitalist states.*

* Eckstein, who denounced me for the 'catastrophe theory' in his review in *Vorwärts* of January 1913 by simply borrowing from the vocabulary of Kolb-Heine-David: ('The practical conclusion which Comrade Luxemburg constructs on the theory of necessity of non-capitalist consumers, *especially the catastrophe theory*, falls with the theoretical assumption') – is denouncing me now, since the swamp theoreticians have taken a 'left' turn, for the opposite crime of aiding and abetting the right-wing Social Democracy. He points out eagerly that Lensch, the same Lensch who gravitated to Kolb-Heine-David in the World War, approved of my book and reviewed it favourably in the *Leipziger Volkszeitung*. Is the connexion not obvious? Suspicious, highly suspicious! 'For that very reason' Eckstein had felt himself obliged to destroy my book so thoroughly in *Vorwärts*. But the very same Lensch approved of Marx's *Capital* even more – before the war. Yes, and a man called Max Grunwald was for years an enthusiastic interpreter of

Otto Bauer concludes his criticism of my book with the following words:

Capitalism will not collapse from the mechanical impossibility of realizing surplus value. It will be defeated by the rebellion to which it drives the masses. Not only then, when the last peasant and the last petty-bourgeois change into wage-workers, thus no longer providing a surplus market, will capitalism disintegrate: it will be cut down much earlier by the growing rebellion of the ever-rising working class, educated, united and organized by the mechanism of the capitalist mode of production itself.

In order to direct this advice to me specifically, Bauer, a master of abstraction, had to abstract not only from the entire meaning and direction of my conception of accumulation, but also from the clear text of my statements. His own brave words, however, can once again only be construed as a typical abstraction of 'expert' Marxism, i.e. as the harmless but short-lived flickering of 'pure thought'. This is demonstrated by the position of this group of theoreticians towards the outbreak of the World War. The rebellion of the ever-rising, educated and organized working class suddenly changed into the policy of 'abstention' on epoch-making decisions of world history and 'silence' until the bells of peace ring out. 'The road to power', brilliantly illustrated down to the last detail in a period of serene peace, when there was still not a sound in the treetops,* changed course straight to the 'road to impotence' at the first gust of reality. The epigons who held the official theoretical leadership of the Labour movement in the last decade bankrupted themselves at the first outbreak of the world crisis and handed leadership over to imperialism. A clear understanding of these connexions is one of the essential conditions for the reconstruction of a proletarian policy which would measure up to its historical tasks in the period of imperialism.

Once again, the self-pitying will bewail the fact that 'Marxists

Marx's *Capital* at the Berlin Workers' Education School. Is that not convincing proof that Marx's *Capital* directly leads one to cheer for England's destruction and write birthday articles for Hindenburg? But that sort of blunder happens to Eckstein, ruining his intentions. As is well known, already Bismarck complained often about the blind eagerness of his journalistic reptiles.

[* '*In allen Wipfeln Ruh*' – quotation from Goethe, Trans.]

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are arguing amongst themselves', that tried and tested 'authorities' are being contested. But Marxism is not a dozen people who ascribe the right to 'expert knowledge' to each other and before whom the mass of faithful Moslems must prostrate themselves in blind trust.

Marxism is a revolutionary world outlook which must always strive for new discoveries, which completely despises rigidity in once-valid theses, and whose living force is best preserved in the intellectual clash of self-criticism and the rough and tumble of history. Thus, I agree with Lessing, who wrote to the young Reimarus:

'But what can one do! Let each man say what he thinks to be the truth, and leave truth itself to God.'

Imperialism and the Accumulation of Capital

BY

NIKOLAI I. BUKHARIN

PREFACE

The problem of imperialism is theoretical as well as practical. So naturally, proletarian politicians are faced with it the same way that bourgeois politicians are. The knowledge of the driving forces of modern capitalism, its own particular methods of expansion, the increasing inner contradictions, all these questions form an unavoidable pre-condition for the theoretical critique of capitalism which, in the hands of the proletariat, turn from the weapon of critique into the critique of the weapon. The theory of imperialism is closely linked to the theory of capitalist breakdown. The same applies for the perspectives of socialist revolution, though this is a very abstract problem and has to be expressed in terms of algebra. It will show that all problems linked with this dominating question are of vital interest for the proletarian struggle today and in the future.

1. EXPANDED REPRODUCTION IN AN ABSTRACT CAPITALIST SOCIETY

As is well known, Marx outlined in general terms the course of the total social reproduction, proceeding from a whole series of premises to simplify the situation: for instance, the assumption of a capitalism with only two classes, no external markets, value equal to price, etc. How is a mobile equilibrium possible in the growing capitalist system? – this is how Marx formulated his question. By and large, the *most abstract* (supremely theoretical) solution is as follows:

The total social capital is $c + v$, the surplus value is s .

The value of the total product (assuming that the constant capital is completely consumed in the course of one turnover or, which amounts to the same thing, that c represents only the used part of the constant capital) is then $c + v + s$.

This product (and correspondingly the total process of social production) is divided up into two large divisions: means of production and means of consumption. If we take the corresponding symbols into account, we arrive at:

I (production of means of production) . . . $c_1 + v_1 + s_1$

II (production of means of consumption) . . . $c_2 + v_2 + s_2$

If we were dealing here with a *simple reproduction*, i.e. if the capitalists were to squander the entire surplus value amounting to $s_1 + s_2$, the condition for the regular course of reproduction would be given by the following relations:

1. Since the entire product of Dept I consists *exclusively* of means of production (machines, raw materials, etc.), which cannot go into individual consumption (they can be neither eaten nor used for clothing, nor even presented to the 'fair sex'), these must all be used to replace the constant capital $c = (c_1 + c_2)$. Thus: $c_1 + v_1 + s_1 = c_1 + c_2$.

2. Since the entire product of Dept II consists *exclusively* of means of consumption, not even the smallest part of it can be used as raw materials or machines. It must therefore be *completely*

'consumed' by the workers and capitalists of the two departments. Therefore: $c_2 + v_2 + s_2 = v_1 + v_2 + s_1 + s_2$.

3. Since the first department reproduces its constant capital (c_1) itself and must replace the material form ($v_1 + s_1$) with a 'consumable' form, and on the other hand the second department reproduces both the elements of its variable capital and the surplus value of the capitalists of Dept II itself in natural form and must replace the material form c_2 , it is essential for reproduction to run smoothly that those parts which are to be exchanged are equal. It therefore follows that c_2 must equal $v_1 + s_1$.

It is clearly obvious that our three equations can basically be reduced to one *single* equation. If in the first equation we subtract c_1 from both sides, and $v_2 + s_2$ from both sides in the second, we arrive at the above third equation, namely $c_2 = v_1 + s_1$.

Now, it is precisely in this that the conditions of the smooth running of simple reproduction are expressed: the sum of the revenues of the first department must equal the constant capital of the second department. If this condition pertains, we receive for Dept I: a constant capital produced *in natura* which remains within the same department; and a variable capital reproduced in an unsuitable form, which appears in new clothing and can carry on functioning in a propitious union with the constant capital; finally a surplus value, which, after changing its clothes for the reproduction of the living personal officers and commanders of its department, disappears without a trace.

Dept II: a surplus value produced in a suitable form which, without going outside the bounds of its department, satisfies its master and disappears into its stomach; further, a variable capital in a form which likewise enables it to convert itself into labour-power without overstepping the bounds of its department; and lastly a constant capital, which joins the variable capital after a metamorphosis of its material, soft consumption-skin into a hard machine-armour. Thus, in this case too, production can proceed, to complete the same, closed circle once again.

The situation is much more complicated with *expanded* reproduction, in which a part of the surplus value is turned into capital and begins to function as capital, in other words, where reproduction proceeds 'not in a circle, but a spiral' (Marx).

If we let α_1 indicate the part of the surplus value which serves

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for the personal consumption of the capitalists, and β_1 that part which is turned into capital, thus, if we make $s_1 = \alpha_1 + \beta_1$ and correspondingly $s_2 = \alpha_2 + \beta_2$; if we further let β_{1c} indicate that part of the surplus value which is to be accumulated as a part of the constant capital, and β_{1v} that part of the surplus value which is to be accumulated as part of the variable capital, and thus posit $\beta_1 = \beta_{1c} + \beta_{1v}$ and correspondingly $\beta_2 = \beta_{2c} + \beta_{2v}$, thus the general formula for the product of both departments takes on the following form:

$$\begin{array}{l} \text{I} \\ \text{II} \end{array} \begin{array}{|c|} \hline c_1 + v_1 + \alpha_1 \\ \hline c_2 + v_2 + \alpha_2 \\ \hline \end{array} + \begin{array}{c} \overbrace{\beta_{1c} + \beta_{1v}}^{\beta_1} \\ \underbrace{\beta_{2c} + \beta_{2v}}_{\beta_2} \end{array}$$

As is clearly obvious, the problem of *simple* reproduction is enclosed in those amounts which we have put together in a common frame, and the solution has already been given above. (After what has been said it would be necessary for $c_2 = (v_1 + \alpha_1)$.) The difficulties only begin thanks to the appearance of new amounts lying outside the above rectangle.

Now, what do these represent?

β_1 represents, according to its *value*, that part of the surplus value which is destined for accumulation; according to its *material* form, i.e. its *use value*, a profusion of the most diverse means of production, such as machines, raw materials, resource materials, etc.

However, this part does not, as a rule, attach itself to capital in *one* form, namely in the form of constant or variable capital alone; rather, it falls into two parts, according to a certain proportion, in relation to the organic composition of capital.

β_{1c} , i.e. that part which is turned into constant capital, is produced in a corresponding natural form, and thus remains within Dept I, without ever leaving it. On the other hand, conversely, β_{1v} cannot function as an element of the variable capital, since it is hidden in the armour of means of production, as a result of which it must be exchanged against corresponding products from the second department. Thus, β_{1v} has to flee from its birth-place.

The production of β_{2v} proceeds in such a form that it can constitute an element of the additional variable capital of the second department and thus remains *in natura* in its home, i.e. in the same department. β_{2c} , on the other hand, has a material form which technically excludes the functioning of this part of the surplus value in the role of additional *constant* capital. Thus, β_{2c} must be exchanged and put on the clothes of β_{1v} . Therefore, in respect to the value β_{2c} must equal β_{1v} .

Thus, in so far as we have before us an expanded reproduction, the absorption into the first and second department of the surplus value which is destined for accumulation, leaving aside the conditions of equilibrium necessary from the point of view of simple reproduction, must take place in such a relation that the *additional variable capital of the first department must equal the additional constant capital of the second department*.

Altogether then we arrive at three models for the formulae of expanded reproduction, which can be reduced to a single one and which are analogous to the three models of simple reproduction.

1. The *total product* of Dept I (means of production) cannot in any way be employed *directly* as revenue. It must therefore be equal to the sum of the constant capitals of both departments (including the additional constant capitals). In order to facilitate the possibility of comparison we shall put the one amount under the other, as follows:

Sum of means of production

$$(\text{Total product of Dept I}) = c_1 + \boxed{v_1 + \alpha_1} + \beta_{1c} + \boxed{\beta_{1v}}$$

$$\text{Sum of all constant capitals} = c_1 + \boxed{c_2} + \beta_{1c} + \boxed{\beta_{2c}}^*$$

It is immediately apparent that this model presupposes an equality within the framed amount in which the left frame portrays the condition of simple reproduction, the right the

[* Sweezy criticizes Bukharin for his formulation of the equation in this manner. He argues that there should be an increment of surplus value consumed by the capitalist class. However, Bukharin specifically states that in the *following cycle* 'the unproductively consumed part of the surplus value grows – for the first time . . .'. Therefore Bukharin was quite well aware of the problem. This whole question is dealt with in Appendix II.]

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additional condition of expanded reproduction. Both can be reduced to the equation:

$$v_1 + \alpha_1 + \beta_{1v} = c_2 + \beta_{2c}$$

2. The *total product* of Dept II cannot in any way be employed *directly*, i.e. in its natural form, as constant capital. It must therefore be equal to the sum of all revenues (including the additional variable capital, which is converted into the income of the additional workers).*

Sum of all means of consumption (total product of Dept II)

$$= \boxed{c_2} + v_2 + \alpha_2 + \boxed{\beta_{2c}} + \beta_{2v}$$

Sum of all revenues (of all wages as well as individually consumed surplus value)

$$= \boxed{v_1 + \alpha_1} + v_2 + \alpha_2 + \boxed{\beta_{1v}} + \beta_{2v}$$

One can see immediately that this model can be led back to the model already deduced above: $c_2 + \beta_{2c} = v_1 + \alpha_1 + \beta_{1v}$.

3. This equation could also be reached directly. Let us remind ourselves once again of the model:

$$\begin{array}{l} \text{I} \quad \boxed{c_1 + \boxed{v_1 + \alpha_1}} + \beta_{1c} + \boxed{\beta_{1v}} \\ \text{II} \quad \boxed{c_2} + v_2 + \alpha_2 + \boxed{\beta_{2c}} + \beta_{2v} \end{array}$$

In the upper row, $(c_1 + \beta_{1c})$, thanks to its natural form, which corresponds to a necessary economic function, can remain as it is; $((v_1 + \alpha_1) + \beta_{1v})$, on the other hand, must be exchanged. Exchanged against what? Against that part which cannot function in the second department as a result of its *inherent* material form. This is $(c_2 + \beta_{2c})$. This results in the following equation:

$$(c_2 + \beta_{2c}) = (v_1 + \alpha_1 + \beta_{1v})$$

or, to formulate it better:

$$(v_1 + \beta_{1v} + \alpha_1) = (c_2 + \beta_{2c})$$

* Or into the additional wages for the old workers, who in this case have to sustain a bigger amount of simple work by means of increasing the intensity of work, extending the hours of work or raising the standard of qualifications of workers and work.

In other words: *the entire new variable capital of the first department and the part of the surplus value of the same department which falls to unproductive consumption must be equal to the new constant capital of the second department.*

With this the situation in Dept I has taken on the following form:

The new additional amount β_{1c} has joined the constant capital c_1 directly, i.e. without leaving the bounds of Dept I. As a result, the *constant* capital has grown. It was previously c_1 , now it is $(c_1 + \beta_{1c})$. The variable capital came into existence through reproduction of the old variable capital v_1 , which can only function after first stripping off its material husk, which it does together with the 'consumable' surplus value, while $(v_1 + \alpha_1)$ and c_2 change places.

Moreover, additional variable capital appeared through exchange with Dept II. In this way the variable capital rose from v_1 to $(v_1 + \beta_{1v})$. The part of the surplus value which is destined for 'consumption', after assuming a corresponding form, i.e. after it has wandered through the fields and meadows of the second department, is excluded from the reproduction process: all it has done is reproduce the capitalists of the first department [i.e. maintains capitalist consumption at the previous level, Ed.]. Thus, the *new* circulation begins in Dept I with an enlarged constant and an enlarged variable capital.

The same process is carried out in the second department. The constant capital here has indeed reproduced itself according to its value, but must still change its form. Apart from this, the additional value β_{2c} joined up with it, similarly after completing the change of its material husk. In this way, the *constant* capital grew from c_2 to $(c_2 + \beta_{2c})$, and the *variable* capital from v_2 to $(v_2 + \beta_{2v})$, in which process neither part of the new variable capital had any need of a masquerade.* The surplus value was finally removed from the reproduction process in that part which went to 'consumption', without undertaking a change in its form, by limiting itself to the reproduction of the officers of capital in the second department. In this way the *new* circulation begins here too with a raised constant and a raised variable capital.

* Basically a masquerade takes place, but it happens within the framework of acts of exchange within the second department.

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In the following cycle the capital of the starting stage is reproduced again, the unproductively consumed part of the surplus value grows – *for the first time** – the part of the latter which is to be accumulated will grow even more and so on.

In other words, the following grow: the constant capital of society, the consumption of the workers, the consumption of the capitalists (everything taken in values). In this connexion we will not make any further analysis of the relation in which this growth of the various above-listed values proceeds. This question needs to be treated separately. Here we must mention, even if only briefly, the following circumstances: along with the growth of production, the market of this production grows too, the market of means of production expands, and the consumer demand grows also (since, taken in absolute terms, the capitalists' consumption grows as well as that of the workers). In other words, here the possibility is given of, on the one hand, an equilibrium between the various parts of the total social production and, on the other, an equilibrium between production and consumption. In this process the equilibrium between production and consumption is for its part conditioned by the *production equilibrium*, i.e. the equilibrium between the various parts of the functioning capital and its various branches.

In the above analysis we neglect *at first* a series of highly important, specifically capitalist moments, e.g. *money-circulation*. That would be absolutely inadmissible if we were to continue to stay on this most abstract level of analysis. The error of Ricardo's school, and of Say's too, consisted precisely in the fact that they raised to a dogma the thesis that product was exchanged against product, while money played the role of a 'medium' in this transaction, and *only* of a 'medium', but not 'an essential and necessary form of existence of the commodity which must manifest itself as exchange value, as general social labour'.†

This resulted in a series of the most serious mistakes, it resulted further in the denial of the existence of *contradictions* within capitalism, finally a direct apology for the capitalist system, an apology which attempts – to use a Marxist word – to 'reason away' the crises, the over-production, the mass misery and so on.

[* What Bukharin is saying here is $\Delta\beta_{1c} > \Delta\alpha_1$ and $\Delta\beta_{1v} > \Delta\alpha_1$.]

† Marx, *Theories of Surplus Value*, Vol. II, p. 501.

'It must never be forgotten, that in capitalist production what matters is not the immediate use value but the exchange value, and in particular, the expansion of the surplus value.* But since the movement of capital also shows up a phase of this movement in which capital appears as money capital, it must, of course, never be *neglected*. However, that does not in the least mean that it is inadmissible to leave out the money question *provisionally*, as we have done in our previous exposition, analysing the reproduction process from the viewpoint of the replacement and increase of *value* as well as that of the replacement and change of the *material form* of the elements of capital. *If* this analysis had proved that a reproduction or an expanded reproduction was completely impossible, it would only have been properly impossible after the introduction of the money moment. *If*, on the other hand, this analysis showed, as happened in the course of our expositions, *in which way* an expanded reproduction can take place, then a *further* analysis is required which must represent a more concrete level of theoretical abstraction. We shall also avail ourselves of this method because Comrade Rosa Luxemburg brings now one 'critical' argument to the fore, now the other in her critique of the Marxist theory of accumulation, her 'critique' being presented at one time in connexion with the money moment, at another without it – and from time to time with both in an amazing 'organic tangle'.

Let us first turn to Rosa Luxemburg's *most abstract* method of argument. This appears all the more justified to us when we read the following, which she herself wrote.

The flaw in Marx's analysis is, in our opinion, the misguided formulation of the problem as a mere question of 'the sources of money', whereas the real issue is the effective demand, the use made of goods, not the source of the money which is paid for them. As to money as a means of circulation: when considering the reproductive process as a whole, we must assume that capitalist society must always dispose of money, or a substitute, in just that quantity that is needed for its process of circulation. What has to be explained is the great social transaction of exchange caused by real economic needs. While it is important to remember that capitalist surplus value must invariably pass through the money stage before it can be accumulated, we must never-

* *ibid.*, p. 495.

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theless try to track down the economic demand for the surplus product, quite apart from the puzzle where the money comes from. As Marx himself says in another passage:

‘The money on one side in that case calls forth expanded reproduction on the other, because the possibility for it exists without the money. For money in itself is not an element of actual reproduction.’*

Thus, with the ‘critic’s’ approval, we shall provisionally leave the money question to one side.

To the extent that Comrade Luxemburg operates within this framework in her critique, her argument takes the following lines: models are purely paper operations. They neglect the most important question, namely, *to whose advantage* accumulation takes place, *who* is the consumer for the surplus value which is to be accumulated, *where* the excess can be deposited. She herself is of the opinion that such consumers do not and cannot exist within the framework of the capitalist system. This leads her to the conclusion that capitalism is unworkable without a ‘non-capitalist environment’. The ‘third person’ of our populists, Sismondi, Malthus and Co., has to aid ‘abstract capitalism’ in the difficult task of the realization of the surplus value, which for capitalism in concrete form means imperialistic policies. The main root of imperialism resides in this.

But we shall not anticipate anything, rather, we shall take a careful look at Comrade Luxemburg’s critical analysis.

Here we shall reproduce the following passage in *Accumulation of Capital* unabridged, which represents one of those central passages of the work which unite the basic critical thought of the author to a certain degree in a focal point. (The object of Rosa Luxemburg’s investigation here is the models of the second volume of *Capital*.†) Let us listen to the author of *Accumulation*:

According to Marx’s assumption in the first volume of *Capital*, the capitalized part of the surplus value comes from the very beginning in the form of additional means of production and means of subsistence of the workers ($\beta_{1c} + \beta_{1v}$ and $\beta_{2c} + \beta_{2v}$ in our formulae, N. B.). Both

* Luxemburg, *The Accumulation of Capital*, p. 155; *Capital*, Vol. II, p. 494.

† We have replaced the arithmetical examples with algebraic ones, since arithmetic has an arithmetical logic which from time to time leads to complications which in no way stem from the essence of the subject and which can only obscure the basic questions.

serve continually to increase production in Depts I and II. Going by Marx's premises for the model it is impossible to discover (! N. B.) *for whom* (my emphasis, N. B.) this progressive rise in production takes place. Of course (this 'of course' is really quite funny! N. B.) society's consumption rises parallel with its production; the capitalists' consumption rises . . . , the workers' consumption rises too. . . . Yet – apart from anything else (? N. B.) – at any rate, growing consumption of the capitalist class cannot be seen as the aim of accumulation; on the contrary, to the extent that this consumption takes place and grows, no accumulation can take place; the personal consumption of the capitalists falls under the categories of simple reproduction. The question is rather: for whom do the capitalists produce, if and to the extent that they themselves do not consume, but 'abstain', i.e. accumulate? Still less can the maintenance of an ever larger army of workers be the aim of uninterrupted capital accumulation. The workers' consumption in capitalist society is a result of accumulation, never its aim and premise, otherwise the fundamental principles of capitalist production would have to be stood on their head. And in any case, the workers can always consume only that part of the product which corresponds to their variable capital, not an iota more. So who keeps on realizing the growing surplus value? The model answers: the capitalists and they alone. But what do they do with their growing surplus value? The model answers: they use it for still further expansion of their production. Thus, the capitalists are fanatics of expansion of production for the sake of expansion of production. They have machines built so that they can have more new machines built. But the result of this process is not capital accumulation, but growing production of means of production with no aim at all, and it belongs to the boldness and pleasure in paradoxes of Tugan-Baranovsky to assume that this tireless carousel in empty air could be a faithful theoretical representation of capitalist reality and a real consequence of Marx's teaching.*

This passage contains and 'accumulates' such an abundance of errors and contradictions (no less so for being dialectical) that it is a matter of urgent necessity to analyse it.

Point I. To start with, is there any justification for posing the question from the point of view of subjective *aim* (even if it is the subjective aim of a class)? What is such *teleology* doing in social science? It is clear that even the formulation of the question is methodologically incorrect, in as much as we are dealing with a formulation that is to be taken seriously and not with a sort of

[* My translation, R. W. See also Luxemburg, *op. cit.*, pp. 334–5.]

metaphorical cliché. In fact, let us take a look at one law, for instance the economic law of the falling rate of profit, which is also recognized by Comrade Rosa Luxemburg. 'Whom', i.e. whose interests, does this fall serve? The question is obviously absurd. It should not even be posed, since the concept of aim excludes it from the very first. The individual capitalist does indeed try to make a differential profit (and gets it from time to time), others receive it, and the result is that we have before us a *social* fact: the fall in the rate of profit. By abandoning the conceptual exactitude of Marx's analysis, Comrade Luxemburg leaves the rails of Marxist methodology.

Point II. After Comrade Rosa Luxemburg has asked the question 'for whom?' and answered it negatively ('for no one'), she immediately remarks, and only by the way, as if it were of no importance: Of course, in this process the capitalists' consumption expands as well as that of the workers. It escapes Rosa Luxemburg that this statement in fact contains the answer to the question of who benefits from the expansion of production; for her question, subjectively formulated and therefore a pointless question, from the standpoint of an analysis of the objective connexions of capitalist production, only becomes meaningful when formulated objectively. But if it is posed like this, it becomes: Every growing social system, in whatever historico-economic wrapping it may appear, whatever contradictions it may develop, and in whatever way its leaders may be motivated in their economic activity, presupposes a completely objective (*even if also indirect*) connexion between consumption and production, where the appearance of the *growth of consumption* as a result of the *growth of production*, as the other side of this growth of production, forms the *fundamental pre-condition for the growth of the social system as a whole*. Rosa Luxemburg unconsciously affirms the question formulated by her precisely by indicating the growth of the social consumption.

Point III. But that does not in the least deter her, at the end of the quoted excerpt, from convicting Marx's models of Tugan-Baranovskyism, whose real essence consists of the separation of production from consumption and the complete isolation of the former ('an aimlessly expanding production of means of production', etc.).

Point IV. After Comrade Luxemburg has admitted the appear-

ance of the growth of the consumption of the 'total-capitalist' as a result of accumulation, she immediately attempts to *diminish* the theoretical value of this fact. She writes: 'In so far as consumption takes place and grows, no accumulation takes place', etc. Such sophistry is in fact vastly removed from any dialectic, for it is immediately apparent to everyone that the growth of consumption *cannot take place* as a continuous, uninterrupted phenomenon *without corresponding accumulation*. Comrade Luxemburg's mistake is quite elementary. It stems from the confusion of a *statistical* amount with a *process*. In fact, let us assume that we had a certain surplus value of the amount S: s_1 corresponds to the consumed part of S, s_2 to the accumulated, so that $S = s_1 + s_2$. It follows that, in as much as we are dealing with a *given constant* S, s_2 must be smaller the larger s_1 becomes, and vice versa. S will be the limit of the growth of s_1 , and O the corresponding limit of the fall of s_2 . In this, for the moment (i.e. for the given and constant amount S) 'favourable', case we return to simple reproduction, and have thus not moved an inch. (Since this point can never be reached in the competition struggle, what we actually arrive at is a regressive movement, and so a decline.) If, on the other hand, the rate of accumulation grows and capital rises progressively, the *total amount* of the newly produced surplus value increases with each turnover, which only creates the possibility of a steady and uninterrupted rise of the consumption part under the assumption of proportional increase in that part of the surplus value, in other words, the *consumption part of the surplus value is a function of accumulation*. It is meaningless to divide these two things from each other, doubly so in respect of the process of reproduction.

The problem, however, can be illumined from another side. For if we are dealing, *not with the objective results* of accumulation, but with what motivates the *capitalists* (which, as we have seen, by no means always means the same thing), then we have before us the other side of accumulation: the capitalists accumulate, so that they can continually accumulate more and more. For the specific point of the capitalists' 'motivating reasons' lies precisely in the fact that accumulation is an *end in itself* for the capitalists. Looked at from this point of view, the question about the *aim of accumulation* ('at any rate, the consumption of the capitalists cannot be seen as the aim of accumulation') is simply superfluous.

Point V. Rosa Luxemburg's statements about the rising consumption of the workers are equally unsuccessful. 'Still less can the maintenance of an ever larger army of workers be the aim of uninterrupted capital accumulation.' What a splendid truth! Now (from the point of view of capitalist motivations) the 'maintenance of an ever larger army of workers' can indeed be the aim of accumulation, and indeed often *is*. That is by no means hard to understand. Capitalism accumulates in order to accumulate further. *To this end* it must convert a part of the capital accumulated in *one* turnover into variable capital in the *next* turnover, into additional functioning living labour-power. The result is an even larger surplus value for it. 'The worker's consumption in capitalist society is a result of accumulation, never . . . its premise,' otherwise the fundamental principles of capitalism would be stood on their head. This is the terrifying prospect raised by Comrade Luxemburg. And yet it is 'never' true. The consumption of the workers is – and that has been settled since the appearance of the first volume of *Capital* – nothing other than the *production of labour-power*. The production of labour-power constitutes without a doubt the premise for the production of material values, of surplus value, of capital, and the production of *additional* labour-power is the pre-condition for the growth of accumulation. Thus, here too, we are dealing with a 'complete misunderstanding'.

'In any case,' exclaims Comrade Luxemburg, now with an undertone of despair, 'the workers can consume only that part of the product which corresponds to their variable capital (what does this "*their capital*" mean? It should read: "*their income*", which is equal to the variable capital, N. B.), not an iota more.' In this, Rosa Luxemburg is clearly thinking of the original labour force, of the original value of labour-power, and therefore of the original amount of the variable capital. But to accept such an assumption means to exclude expanded reproduction *from the very beginning*. If, however, one has excluded expanded reproduction *from the start* in one's logical proof, it naturally becomes easy to let it disappear at the end of it, for here one is dealing with the simple reproduction of a simple logical error. And yet in the last analysis the matter is extremely simple. *The employment of additional workers produces an additional demand*, which realizes precisely that part of the surplus value which is to be accumulated,

to be exact, that part which must of necessity convert itself into functioning, additional variable capital. That is why Comrade Rosa Luxemburg's critique fails in this case too, while Marx is completely and unconditionally correct.

Point VI. But – horrible dictu! – in such a case the capitalists would be 'fanatics of expansion of production for the sake of expansion of production', and the entire 'carousel' would be 'not capital accumulation, but growing production of means of production with no aim at all'. (My emphasis, N. B.)

Let us now examine both these arguments, although superficial consideration has already revealed their rhetorical character sufficiently clearly.

In connexion with the *last* 'critical' attacks of Rosa Luxemburg, let us here remind ourselves of a passage from Marx's *Theories of Surplus Value*:

*The industrial capitalist . . . as personified capital produces for the sake of production, he wants to accumulate wealth for the sake of the accumulation of wealth. (My emphasis, N. B.) In so far as he is a mere functionary of capital, that is, an agent of capitalist production, what matters to him is exchange value and the increase of exchange value, not use value and its increase. What he is concerned with is the increase of abstract wealth, the rising appropriation of the labour of others. He is dominated by the same absolute drive to enrich himself as the miser, except that he does not satisfy it in the illusory form of building up a treasure of gold and silver, but in the creation of capital, which is real production. (My emphasis, N. B.) If the labourer's over-production is production for others, the production of the normal capitalist, of the industrial capitalist as he ought to be, is production for the sake of production. . . . In spite of all his prodigality he remains, like the miser, essentially avaricious . . . the industrial capitalist becomes more or less unable to fulfil his function as soon as he personifies the enjoyment of wealth, as soon as he wants the accumulation of pleasures instead of the pleasure of accumulation. He is therefore also a producer of over-production, production for others.**

And if Comrade Rosa Luxemburg, intimidated by the 'fanatics of production' and frightening others with them, is then all eyes and exclaims: 'And that is supposed to be a real consequence of

* Marx, *Theories of Surplus Value*, Vol. I, Chapter IV (Productive and Unproductive Labour), pp. 273–4.

Marx's teaching!', we answer that that is by no means a 'consequence', but that it in fact represents an integral part of that teaching, a detail of it, which the practised hand of the great master himself has already sketched in. In general terms, there are three possibilities for the analysis of the motivating grounds of the capitalists, namely, that the capitalist either sets himself the goal of consumption, or that of enrichment in the 'illusory form' of money, or lastly that he is motivated by the passionate urge for enrichment in the form of 'capital accumulation, which is real production'. Since Rosa Luxemburg excludes the first and the third possibility, the only possibility at her disposal is that of the 'illusory form'. But with this Rosa Luxemburg changes the 'normal capitalist' into a medieval money changer and usurer, into a Pushkinite 'covetous knight', at the very best into a money capitalist.

There is as little doubt that this results quite logically from Rosa Luxemburg's arguments as there is in the fact that these arguments which she uses do not in any way correspond to objective reality.

'The result of this process is *not* capital accumulation, but growing production of means of production with no aim at all,' says Rosa Luxemburg. Now, firstly, there is here a certain misrepresentation of the subject matter, since suddenly and inexplicably the *entire production of means of consumption has disappeared*, the consumption on which, in the last analysis, the production of means of production is also dependent; in other words, Comrade Rosa Luxemburg has first tidied Marx up, trimmed his beard and put on him the glasses of the Professor and Minister Tugan-Baranovsky, so that she can then brand Marx's sentences with Tugan-Baranovskyism that much more easily. If, from the very beginning, one secretly discards the difference between Marx and Tugan and then explains emphatically that there is no difference at all between the two, one may indeed succeed in taking certain people in with it. And secondly, what justification does Rosa Luxemburg have for counterposing accumulation to expanding reproduction? It seems that such mysticism can only be comprehended by the author of *Accumulation*.

The *subjective* meaning of expanded reproduction, its meaning from the standpoint of the captains of capitalist production, con-

sists in the productive form of enrichment; but that does not in the least entail a denial of the *objective consequences* of these subjective tendencies, which consist in the satisfaction of the growing needs of the social totality, irrespective of the antagonistic character of the latter. For that is, as has been mentioned above, the fundamental condition of social development, independent of the concrete, historical exterior in which the given society manifests itself. Marx writes:

Besides, as we have seen (Book II, Part III), continuous circulation takes place between constant capital and constant capital (even regardless of accelerated accumulation). It is at first independent of individual consumption because it never enters the latter. But this consumption definitely limits it nevertheless, since constant capital is never produced for its own sake, but solely because more of it is needed in spheres of production whose products go into individual consumption.*

This passage leads Comrade Rosa Luxemburg to explain triumphantly: 'This passage shows that the Tugan-Baranovskyan idea of production for the sake of production was entirely foreign to Marx.' Our analysis has shown that *il y a fagot et fagot*. All that is left for Rosa Luxemburg to do is to construct a new 'contradiction' in Marx, a contradiction between the third volume and the *Theories of Surplus Value*, as she has already discovered a contradiction between the second and third volume, and bourgeois science long before her a 'more significant contradiction' between the first and the third volume. We would then have an accumulation of contradictions which would in fact overcome poor Marx with horror. But fortunately for him this 'accumulation' has an even more 'illusory form' than the accumulation of capital as envisaged by Luxemburg. We hope we have thoroughly exhausted the fundamental arguments of Comrade Rosa Luxemburg as far as they are developed in the *Accumulation of Capital*.

In her *Anti-Critique* Comrade Rosa Luxemburg touches on the same problem at the same or, better, at *almost* the same level of theoretical abstraction. We shall also review her proof here. Let us listen to our 'critic':

Let us imagine that all goods produced in capitalist society were stacked up in a big pile at some place, to be used by society as a whole.

* *Capital*, Vol. III, pp. 299-300.

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We will then see how this mass of goods is naturally divided into several big portions of different kinds and destinations.*

Immediately afterwards, Comrade Luxemburg divides her 'heap' into the following two parts: first, 'means of subsistence in the broadest sense of the word', secondly, 'new means of production to replace those used up'. (Incidentally, any source for 'additional constant capital' disappears if we are dealing only with 'replacement of used' means of production. But that is only by the way.)

On the basis of this Rosa Luxemburg can now distinguish three further parts in the above-mentioned commodity heap, specifically;

(a) one part to replace the constant capital;

(b) one part which, on one hand, replaces the variable capital and, on the other, contains that rate of surplus value which is consumed unproductively; and lastly,

(c) that part of the surplus value which is subject to accumulation. (Incidentally, it is immediately apparent that this division of the latter is quite inadequate and can only be applied to the 'great heap' *idealiter*, i.e. by the process of abstraction.)

Further, Rosa Luxemburg poses the question as to who the *purchasers* are for each of these three parts. As regards the first and second part of her 'great heap', Rosa Luxemburg solves the question very simply, and immediately turns to the question of the third part, i.e. to the rate of surplus value which is to be capitalized. Here we are obliged to reproduce her incomparable argumentation, keeping to the text as far as is possible:

In our assumed total stock of commodities of capitalist society we must accordingly find a third portion, which is neither destined for the renewal of *used* (my emphasis, N. B.) means of production, nor for the maintenance of workers (? ! ! N. B.) and capitalists. . . . It will be a portion of commodities, which . . . (contains) the profit destined for capitalization and accumulation. What sort of commodities are they and who in society *needs them* (my emphasis, N. B.)?

And:

Here we have come to the nucleus of the problem of accumulation and we must investigate all attempts at solution. Could it really be the *workers* who take this latter portion of the social stock of commodities?

* Luxemburg, *Anti-Critique*, p. 51.

But the workers have no means beyond the wages which they receive from their employers. . . .*

Could the *capitalists themselves* perhaps be the customers for that latter portion of goods by extending their *own* private consumption? . . . But if the capitalists were to spend the total surplus value like water, nothing would come of accumulation . . .†

And the conclusion:

'Who could then be the buyer and consumer of that portion of commodities, whose sale is only the beginning of accumulation? *So far we have seen, it can be neither the workers nor the capitalists.*'‡

So the other possibility:

'But are there not all sorts of strata in society, like *civil servants, military, clerics, academics and artists* which can neither be counted among the workers nor the employers?'§

But these strata 'do not have any independent sources of purchasing power, but are included as parasites in the consumption of the two major classes, workers and capitalists'.||

After enumerating all these possibilities, the author of *Accumulation* is suddenly struck by the sobering thought, which, however, she pushes away again as fast as possible:

In the end the solution of the problem is quite simple. Perhaps we are acting like the rider who is desperately looking for the nag he is sitting on. The capitalists are perhaps mutual customers for the remainders of the commodities, not to spend them carelessly but to use them for the expansion of production, *for accumulation*. Then what else is accumulation but the extension of capitalists' production? Only (what is this 'only' needed for? N. B.) those goods, to fulfil this purpose, must not consist in luxury articles for the private consumption of the capitalist, but in various means of production (new constant capital) and provisions for the workers.

All right, but such solution only *pushes the problem* from this moment to the next. After we have assumed that accumulation has started and that the increased production throws an even bigger amount of commodities on to the market the following year, the same question arises again: where do we *then* (emphasis by the author) find the consumers for this even greater amount of commodities? Will we answer: well,

* *ibid.*, p. 55. (Emphasized here and farther along by us, N. B.)

† *ibid.*, p. 55.

‡ *ibid.*, p. 56.

§ *loc. cit.*

|| *loc. cit.*

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this growing amount of goods will again be exchanged among the capitalists to extend production again, and so forth year after year? Then we have the *roundabout* that revolves around itself in empty air. That is not capitalist accumulation, i.e. amassing money capital, but its contrary (!!! N. B.): producing commodities for the sake of it; from the standpoint of capital an utter absurdity. *If the capitalists as a class are the only customers for the total amount of commodities*, apart from the share they have to part with to maintain the workers – if they must always buy the commodities with their own money (oh dear! N. B.) then for the capitalist class amassing profit, accumulation, cannot possibly take place.*

All this now leads to a climactic, decisive conclusion, which already announces the transition to a new theme:

[So] they must find *many other buyers* who receive their means of purchase from an *independent source*, and do not get it out of the pocket of the capitalist. . . . They have to be consumers, who receive their means of purchase on the basis of commodity exchange, i.e. also production of goods, but *taking place outside the capitalist commodity production*.†

Let us now also examine, stone for stone, this logical construction of Comrade Luxemburg:

I. THE CHARACTERISTIC OF THE THIRD PART OF THE 'COMMODITY HEAP'

Here we must seriously examine the following, at first sight, insignificant fact: in her definition of the notorious 'third part' Rosa Luxemburg maintains that it is 'intended neither for the renewal of *used* means of production *nor for the maintenance of the workers*', etc. Why are *used*, and only *used*, means of production mentioned here, but not means of production as a *whole*? Since, in as much as the surplus value which is to be capitalized consists of means of production, these means of production are *additional* means of production. They are not 'new' because they take the place of the old ones (the *first* part of the commodity heap fulfils this function), but because they play the role of a new *additional capital*, which is added to its original quantity. But

* *loc. cit.*, pp. 56–7.

† *ibid.*, p. 57.

what is the situation with the workers? Is it true, as Rosa Luxemburg claims, that none of the 'third part' is used for the maintenance of the workers? It is *not* true. It is correct that not even an atom of value replaces 'used' variable capital. But is there no, can there be no, 'new', i.e. *additional*, variable capital, in the same way as there was an *additional* constant capital? It is *a priori* clear that, in as much as one admits an additional constant capital, one must also admit a growth (however small it may be) in the variable capital. But the elements of this additional variable capital have, *secretly and from the outset*, disappeared from the commodity heap. Comrade Luxemburg exploits this situation to make quick capital without regard to her denial of accumulation.

2. THE WORKERS AS POSSIBLE CONSUMERS

Comrade Luxemburg is making this capital precisely with the analysis of the question of the workers as possible consumers. According to Rosa Luxemburg, there is no question of the workers being consumers of the 'surplus', because, as is well known, they live in poverty and their purchasing power is limited by their wage. Paraphrasing a well-known anecdote, the reply to this is: I understand that the workers live in bad conditions, I also understand that their purchasing power is limited by their wage, but only Comrade Luxemburg's disciples can understand that the workers are not even consumers for a single atom of those things which contain the part of the surplus value which is to be capitalized. In fact, *what sort of workers* are we talking about? '*Above all*', what does the word 'worker' mean? If we are dealing with old workers with old labour-power, etc., and an old wage for their labour, then such premises contain *a priori* a negative answer. The constancy of the variable capital presupposes a constancy of demand on the side of the workers, the lack of additional workers, in one word the maintenance of all previous conditions regarding living labour-power. Normally, however – i.e. unless the whole of that part of the surplus value which is to be capitalized is turned into constant capital – that *also presupposes the lack of accumulation*. Thus this point, where Comrade Luxemburg's error is in complete harmony with the error of the previous point, turns out to be basically a tautology. In reality, things are such that the

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capitalists *employ additional workers*, who then produce the *additional demand*.

3. THE CAPITALISTS AS POSSIBLE CONSUMERS

At this point Comrade Rosa Luxemburg's proof must evoke complete astonishment. She herself has completely brought out of equilibrium the analysis of the conditions of social equilibrium. How does she formulate the problem?

She asks (we allow ourselves the liberty of introducing the relevant passages once again):

'Could the capitalists themselves perhaps be the customers by extending their own private consumption?'

And she answers: 'If the capitalists were to spend the total surplus value like water, nothing would come of accumulation.'

In other words, she asks: If the capitalists consume everything individually and accumulate nothing, then how is accumulation possible?

And answers: Accumulation is impossible, for one must accumulate if one is to accumulate.

Naturally, Comrade Luxemburg is not unaware that in our case the capitalists' demand must be a *productive* demand. She is content, however, with the most tasteless and crude tautology, bordering on naïveté, for the sole purpose of avoiding a correct formulation of the question. Here, too, from the very beginning she confuses the real problem with inadmissible premises. No wonder that the answer too is inadmissible. In reality, the capitalists' demand is an additional one, precisely because they do accumulate. It should never be forgotten that, including the value-elements of the additional capital, the material elements partly *belong* to the capitalists from the beginning. *Ergo*, we are dealing with a demand of the capitalists for that which they already possess, thus we are dealing with an exchange *within* the class of capitalists. One can only understand what it means to be 'one's own purchaser' when one has understood this. As regards the class of capitalists, buying means only mutual trading within this class.

But we have by no means completely dealt with the matter. The value-elements of the additional capitals (of the constant as well as the variable) are in the hands of the capitalists from the start.

And the material elements? Yes and no. The process of production resulted in the appearance of means of production on the one hand, and means of consumption on the other, in the hands of the capitalists. Means of production may figure *in natura* in the next production-cycle (as in any process of production one may take), but the same cannot be said of means of consumption. The process of production consists of a dynamic relationship between means of production and living labour-power, but not between means of production and *means of consumption*. The production of labour-power, on the other hand, is a consumption-process of the working class, a process which has the peculiarity of taking place outside the factories, outside the capitalist sphere of command, and of consisting in the mere transferral of already available values (means of consumption values).

All this finds its expression in the simple, fundamental and elementary fact that the exchange acts which are essential for reproduction include not only exchange between the capitalists of both departments, as soon as the capitalists appear as direct buyers and sellers, but also transactions between capitalists and workers.

If we take, for example, the problem of realizing the surplus value which is destined for accumulation, we have:

$$\begin{array}{l} \text{I} \dots \beta_{1c} + \beta_{1v} \\ \text{II} \dots \beta_{2c} + \beta_{2v} \end{array}$$

How does the matter proceed concretely? The main condition, as we have seen, is given by the equation $\beta_{2c} = \beta_{1v}$, in which certain parts of this equation must change their places. We would then have the sum of the means of production and means of consumption in the first department, with the latter sum being equal, according to its value, to the necessary additional variable capital. We would have the same in the second department too. However, one should not confuse the social *product* and its material form with the social productive *capital* and its material form. The *product* consists of means of production and means of consumption. The *capital* consists, in its productive form, of means of production and living labour-power.

This capital, so far as its value is concerned, is equal to the value of the social labour-power . . . ; in other words, it is equal to the sum of the

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wages paid for this labour-power. *So far as its substance is concerned, it consists of the labour-power in action*, i.e. of the living labour set in motion by this capital value.* (My emphasis, N. B.)

As a result, there must be acts of exchange in which the means of production (owned by the capitalists) change into living labour-power. On the other hand (and here we are forced to anticipate our argument a little), as a result of the social structure, the capitalists cannot dispose of the means of production directly, *in natura*. This results in additional acts of exchange between the workers and the capitalists.

Thus we receive:

Capitalists I, who advance the sum of money β_{1v} to the *additional workers I* (employ additional workers).

Additional workers I use this sum, the whole sum, to buy means of subsistence from *capitalists II*. Since $\beta_{1v} = \beta_{2c}$, the entire part amounting to β_{2c} disappears to capitalists II. But there appears an amount of money equalling this in value.†

With this money, *capitalists II* buy means of production from *capitalists I*. Thus capitalists II possess an additional constant capital in the appropriate form of means of production, while with capitalists I, on the other hand, β_{1v} disappears in the means of production, but then the *sum of money* advanced by them at the beginning of the process of production *returns*.

Let us give capitalists I the label of KI, and workers I the label of PI; the corresponding labels in Dept II are KII and PII. The chain of all acts of buying and selling, looked at from the viewpoint of the contracting parties concerned, but not from the viewpoint of the values, takes on the following schematic form:

KI-PI-KII-KI (the links of the chain are: KI-PI, PI-KII, KII-KI).

In this way, all material elements find their places, while the money returns to its owners after it has played the role of a means of circulation and has mediated the correct division of the material elements of capital.

* *Capital*, Vol. II; XX; II, pp. 399-400.

† To be precise, a much smaller amount of money is needed here, since the *same* sum of money initiates a whole number of purchases. In the *given* logical context this is of no importance. In a different logical context this circumstance is of extreme importance. More about that later on.

We assumed that the money is advanced by capitalists I. But we can also assume that it comes from the pockets of capitalists II. In this case, we arrive at the following series: KII buy means of production from KI, advancing the sum of $\beta_{2c} = \beta_{1v}$ for them; KI employ additional workers PI; the additional workers PI buy means of consumption from KII; the money returns to its original place; the material elements of capital are taken in a corresponding relationship.

The chain of the acts of buying and selling will then be: KII-KI-PI-KII (the links of the chain are: KII-KI, KI-PI, PI-KII).

Let us now return to our question. It is clear that the capitalists *can* – and also *do* – manifest an additional demand, partly *directly* (for means of production), partly taken figuratively, *by way of the workers* (demand for use articles) by advancing money to them.

The result is now obvious. The *capitalists themselves* buy the additional means of production, the additional *workers*, who *receive money from the capitalists* who buy the labour-power of these additional workers, buy the additional means of consumption. Comrade Rosa Luxemburg, however, demonstrating her pitiable tautology, concludes: 'So far we have seen: it can be neither the workers nor the capitalists'.*

4. But now comes the best. After Rosa Luxemburg has examined, amongst other things, a series of peripheral possibilities and triumphantly 'refuted' them, she comes quite close to a correct formulation of the question. She poses the question (right at the end!) as to whether there could be a demand on the part of the capitalists, and indeed not an individual one, but a productive demand. As we have seen, in this question she proceeds from the quite correct premise that the object of the demand must consist of means of production and the workers' means of consumption. But what happens now? After she has come very close to the solution of the problem, she suddenly breaks out into the exclamation already cited by us: 'this is all very well, but such a solution pushes the difficulties from this factor to the next'. Excuse me, Comrade Luxemburg, if this is 'all very well' (this 'all very well' is a forced admission, since she cannot bring forward *one single* argument against the fact that it is 'all very well'), i.e. buyers

* *Anti-Critique*, p. 56.

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have been *found*, we ask: Wherein lies the 'difficulty' which must be 'pushed to the next factor'?

Perhaps in the fact that in the next moment selling presupposes buyers, and buyers will again be found? The difficulty consisted in the very fact that the buyers had suddenly disappeared from the scene. But after they had been fortunately found again and the difficulty had shown itself to be a fictitious, 'ideal' difficulty, i.e. a difficulty of Rosa's in the analysis of reproduction, but not a difficulty of the process of reproduction itself, one is forced to ask: What more does one want? Rosa Luxemburg tries to withdraw herself from this tricky business by nimbly climbing on to a carousel. This vehicle of rotation is supposed to lend style to her flight.

The carousel argument clearly relies on two moments: (1) the repetition of the 'difficulty'; and (2) on the fact that 'from the standpoint of capital [it] makes complete nonsense'.

As far as the repetition of the 'difficulty' is concerned, we have already answered it. But there can be no objection, either from a capitalist or any other point of view, that the process manifests a cyclical character. The word 'carousel' and similar comparisons with a fair on their own have absolutely no possibility of proving anything.

Let us re-examine, however, the argument of the 'pointlessness', since it is presented here in a far more crass and somewhat evasive form.

A 'carousel'. *Bon*. 'That is then', writes Rosa Luxemburg, as we have already seen, 'not capitalist accumulation, i.e. amassing money capital, but its contrary: producing commodities for the sake of it, from the standpoint of capital an utter absurdity.'

Once again, we have before us a real bouquet of mistakes and contradictions.

Firstly. As is well known, money is opposed to commodity, and its commodity form is opposed to money capital. As a result, as far as Rosa is concerned we are simply dealing with the simple reproduction of a Jewish anecdote. 'Have you hurt yourself?' 'Oh no, quite the opposite.' *Industrial* capital, on the other hand, which 'incorporates a real reproduction', unites in its circulation *all three phases of this circulation*. ('The actual circuit of industrial capital in its continuity is . . . not alone the unity of the processes

of circulation and production, but also the unity of all its three circuits.)*

Secondly. By admitting that this is 'all very well', i.e. that buyers have been *found* and production can begin once again, Rosa Luxemburg herself, however she may qualify this process of factual, expanded (and clearly not socialist) reproduction, has *admitted* that it has passed through its *money phase*. (We have already demonstrated concretely how this happens above.)

Thirdly. Comrade Luxemburg, however, is by no means satisfied with this. She is not content, because she has an absolutely atrocious conception of capitalist accumulation. For she *identifies* the accumulation of the total social capital with the accumulation of money capital! If one could only *suspect* that from her first work, *The Accumulation of Capital*, and on the basis of it – as we have done above – reach such a conclusion, she now draws this conclusion herself in the *Anti-Critique*, and indeed *expressis verbis*. She is of the opinion that the aim of the capitalists is incorporated in *money* as an end in itself. If money constitutes *merely* a phase in the movement of 'real production', there can be no talk at all of a capitalist accumulation.

Marx portrays this process more exactly:

'Commodities are thus sold not for the purpose of buying others, but in order to replace their commodity-form by their money-form. From being the mere means of effecting the circulation of commodities, this change of form becomes the end and aim. . . . The money becomes petrified into a hoard, and the seller becomes a hoarder of money.'†

And at a different place:

'Whenever these hoards are strikingly above their average level, it is, with some exception, an indication of stagnation in the circulation of commodities, of an interruption in the even flow of their metamorphoses.‡ Are these processes valid as a sort of model of expanded capitalist reproduction?

Finally, we shall quote from one more passage, which completely destroys Rosa Luxemburg's arguments:

In the face of the habitual mode of life of the old feudal nobility, which as Hegel rightly says, 'consists in consuming what is in hand',

* *Capital*, Vol. II, IV, p. 106.

† *ibid.*, Vol. I (III, 3a), p. 130.

‡ *ibid.*, p. 145.

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and more especially displays itself in the luxury of personal retainers, it was extremely important for bourgeois economy to promulgate the doctrine that accumulation of capital is the first duty of every citizen, and to preach without ceasing that a man cannot accumulate if he eats up all his revenue, instead of spending a good part of it in the acquisition of additional productive labourers, who bring in more than they cost. On the other hand the economists had to contend against the popular prejudice (hear, hear, you Luxemburgian comrades, N. B.) that *confuses capitalist production with hoarding*. . . . Exclusion of money from circulation would *also exclude absolutely its self-expansion as capital*, while accumulation of a hoard in the shape of commodities would be sheer tomfoolery.*

And: 'Accumulation for accumulation's sake, production for production's sake: by this formula classical economy expressed the historical mission of the bourgeoisie.'†

It is easy – Comrade Rosa Luxemburg's supporters will answer – the author of *Accumulation* is in no way confusing the accumulation of sums of money with the accumulation of capital. Now, one of the two: either we are of the opinion that in the process of accumulation the addition of additional capital to the earlier capital is only possible in money-form, so that this form can be immediately replaced by the form of *productive capital*, or we *deny* this, despite all common sense.

If we admit this, the following will also be immediately clear. In each given moment, the total surplus value destined for accumulation appears in *various* forms: in the form of commodity, money, functioning means of production and labour-power. Therefore, surplus value in money-form should never be *identified* with the total surplus value. The entire capitalist class, taken as a whole, *can* realize its total profit under the conditions laid down by us. But this process is one which takes place by stages. Thus, the surplus value of any capitalist, and that of the capitalist of any branch of production, and also as a result that of the entire capitalist class, passes through the money-phase in its development. According to Rosa Luxemburg, on the other hand, it must be deduced that the profit destined for accumulation is no longer valid as accumulated profit if it is shorn of its money-clothing. And then the supporters of Comrade Rosa Luxemburg try to

* *Capital*, pp. 588–9.

† *ibid.*, p. 595.

explain the methods and ways of the parthenogenesis of this part of capital!

But the funniest thing in the whole of this talmudic sophistry comes with the following piquante situation. Let us assume that the entire profit destined for accumulation consisted of gold, in accordance with the partly obscure, partly extremely ambiguous wishes of Comrade Rosa Luxemburg. Each individual capitalist, like the capitalists as a whole, would have their respective product (i.e. means of production and means of consumption) realized *simultaneously*. This happens thanks to the exclusive possibility, which makes Rosa Luxemburg so happy, of a market abroad. Very good! But what next? Unless we want to insist on making our capitalists hoarders and misers, etc., we must let them convert the gold into productive capital. Now they want to buy additional means of production. But where do they get them (since they themselves have sold them)? So they buy them back from abroad. Further, they try to employ workers. They succeed. But there are no provisions for the workers. Now, they procure means of consumption for themselves from abroad. And so the story starts all over again: first the capitalists sell their commodities abroad, then they buy the same commodities back.* Thus, each time the question of 'accumulation' is solved in the same way.

If that isn't a roundabout and a farce, what is?

We should by now have dealt with the question of accumulation in its most abstract formulation. We saw that Rosa Luxemburg began with the exclusion of the money question, and then, in retreat, found herself obliged to support herself *solely and exclusively* on the very moment which she had at first rejected. In this point, too, we have revealed the essence of the error of the author of *Accumulation*. In the interests of the completeness of the proof, however, and for the sake of the satisfaction which we hope to give the Luxemburgians, we shall devote a special chapter to the question of the role of money in the process of reproduction.

* We note in passing that in the second case the abroad would have to be a different abroad.

2. MONEY AND EXPANDED REPRODUCTION

So far we have demonstrated that Comrade Rosa Luxemburg began with a funeral oration on money and its importance in the analysis of the total social production and ended with a cheer for it, at the very moment when she began to run out of arguments to ensure the welfare of her conception.

It turns out that this is the real reason, for Marx's models are only 'real' and 'conclusive' because the money-form of capital is hardly considered in them. The author of *Accumulation* makes fun of these models, '... into which we have with pen and paper arbitrarily written rows and rows of numbers, with which mathematical operations run faultlessly and in which money capital is entirely neglected'.*

Let us see to what extent we are pledged to the loss of 'sovereignty' if we – naturally, with the help of pen and paper – give 'money capital' its due respect.

In the process of social reproduction each individual capital, each atom of it, and as a result the total social capital too, must pass through the money phase in the course of its development, i.e. periodically assume the form of money capital, which, despite its 'illusory character', is as essential for the movement of industrial capital as is the productive form of the latter, incorporating 'real production'.

In this connexion, we must pose and answer the following questions:

1. that of the original source of money;
2. that of the amount of money in circulation in relation to the process of social reproduction; and
3. that of the accumulation of money capital.

Re 1. Like any commodity, money is also a product of labour, i.e. it has to be produced. If, to simplify the analysis, we disregard the difference between gold money and the gold material of money, the production of money corresponds to a certain branch

* *Anti-Critique*, p. 74.

of production, the gold industry. That money does not fall from heaven, but must be produced in our earthly vale of tears, is in itself as little mysterious as the fact that iron ore is produced in the mining industry, rye in farming and machines in the machine industry. Seen like this there is no difference *in principle* between the question about the origin of the money possessions of the entire capitalist class and the question about the origin of their possession of means of production. The historically conditioned social characteristics of money do not in any way involve the negation of money as a product of production.

In order that it may play the part of money, gold must of course enter the market at some point or other. This point is to be found at the source of production of the metal at which place gold is bartered, as the immediate product of labour, for some other product of equal value. From that moment it always represents the realized price of some commodity.*

Accordingly, if we look at the movement of the total social capital from the standpoint of the material form, i.e. of the material proportions which are essential for the mutual replacement of the material elements ('of the material change' within the 'social productive organism') and of the material links mediating this replacement, we reach the conclusion that the capitalist system is exposed to the pressure of the social necessity of the *production* of money in exactly the same way as it is to the production of the material elements of productive capital. Thus, the reproduction of money as a component part of the process is essential from the standpoint of the specific-historical form of capital, even if, from the standpoint of production alone, it does not belong to 'real production'. In no circumstances, however, should it be forgotten that, to a certain extent, the commodity pre-existed money.

We have already seen from the most elementary expression of value, $X \text{ commodity } A = Y \text{ commodity } B$, that the object in which the magnitude of the value of another object is represented, appears to have the equivalent form independently of this relation as a social property given to it by nature. We followed up this false appearance to its final establishment, which is complete as soon as the universal equivalent form becomes identified with the *bodily form of a particular*

* *Capital*, Vol. I, p. 109.

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commodity (my emphasis, N. B.) and thus crystallized into the money-form. What appears to happen is, not that gold becomes money, in consequence of all other commodities expressing their values in it, but on the contrary, that all other commodities express their values in gold, because it is money.*

The division of the pure commodity function of gold from its money function finds its main and fundamental expression in the fact that the product of the gold-mining industry appears on the one hand as a raw material for industrial ends, on the other hand is converted into money and functions in the quite specific form of a general commodity-equivalent.

The production of money material, therefore, forms a component part of the social reproduction in its totality, and the figure of the gold producer appears no more mysterious than the figure of the foundry owner, the polish manufacturer or the 'chicken king'. To the question, 'but whence does the money come into the country?' there can only be (as the readers know, we are still thinking of an abstract and isolated capitalist society) an extremely elementary and simple answer: *from the gold-mining industry*.

Re 2. Even if in capitalism money as such† forms a socially necessary moment of the process of reproduction, that does not mean that it cannot play a quite specific role in the course of this process. This specific role consists in the fact that it is not an element of 'real reproduction', and remains accordingly continually *in the sphere of circulation*. Money flows ceaselessly from one pocket to the other, leads a nomadic life similar to the gypsies among the civilized peoples of Europe. The idea is completely absurd that each and every new increase in the *commodity value* must be accompanied by a *similar* value-increase, hidden in a mysterious golden shroud. Just as, in spiritualist institutions, one and the same medium can 'serve' successive hundreds of idiots, the medium of the gold unit can serve successively any number of commodity operations.

So far as money circulates, be it as a means of purchase or as a means of payment – no matter in which of the two spheres and independently

* *Capital*, Vol. I, p. 92.

† 'Bullion may or may not be money, just as paper may or may not be a bank-note.' Marx quotes Overstones (*Capital*, Vol. III, I, p. 424).

of its function of realizing revenue or capital – the quantity of its circulating mass comes under the laws developed previously in discussing the simple circulation of commodities. . . . [English edition, Chapter III, 2b]. The velocity of circulation, hence the number of repetitions of the same function as means of purchase and means of payment by the same pieces of money in a given term, the mass of simultaneous purchase and sales, or payments, the sum of the prices of the circulating commodities, and finally the balance of payments to be settled in the same period, determine in either case the mass of circulating money, of currency. Whether money so employed represents capital or revenue for the payer or receiver, is immaterial and in no way alters the matter. Its mass is simply determined by its function as a medium of purchase and payment.*

One must differentiate between *the increase in the amount of the circulating money*, an increase which is nonetheless in no way equivalent to the growth of reproduction, and the *accumulation of money capital*, as a specific form of capital, which has *its own particular function and its own movement*. The entire amount of surplus value which is repeatedly produced must never be identified with the newly increased sum of money, since the process of realization has no need of such a sum; equally, the *accumulation of capital* must never be confused with *the accumulation of money capital*.

‘As for the . . . portion of profit, which is not intended to be consumed as revenue, *it is converted into money capital only when it is not immediately able to find a place for investment in the expansion of business in the productive sphere in which it has been made.*’† (My emphasis, N. B.)

In the second part of the third volume of *Capital* (Chapters 30, 31 and 32: ‘Money-Capital and Real Capital’) Marx also gives a detailed analysis of the *relation* between accumulation of money capital and the accumulation of real capital. He reaches the following general conclusion:

This process (accumulation of loan capital, N. B.) is very different from an actual transformation into capital; it is merely the accumulation of money in a form in which it can be transformed into capital.

* *Capital*, Vol. III, p. 436.

† *ibid.*, p. 495. We are not dealing here with a *technical* impossibility, but with a saturation of the relevant branch of production with capital or with an insufficient disposable portion of capital.

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But this accumulation can reflect, as we have shown, events which are greatly different from actual accumulation. As long as actual accumulation is continually expanding, this extended accumulation of money capital may be partly its result, partly the result of circumstances which accompany it, but are quite different from it, and, finally, even partly the result of impediments to actual accumulation.*

Ergo: Additional money, newly produced surplus value, which is destined for accumulation, accumulation of money capital – all these amounts on no account overlap each other.

Having stated this in advance, let us now turn to the investigation of the thought process of Comrade Rosa Luxemburg. We shall not at first deal with the *essence* of her arguments, since they are extremely confused, and the basis of her errors can only be revealed in the process of the analysis of her individual critical remarks. Thus, we begin with a counter-attack, which we intend to lead on her dispersed front from various directions, and for our part we shall summarize all fundamental objections.

In a polemic against Mr S. Bulgakov,† whom she accuses of following Marx ‘slavishly’ (what a sin!), the author of *Accumulation* formulates Bulgakov’s position as follows:

‘His’ solution of the question has not progressed one iota from Marx’s analysis. It can be reduced to the following three extremely simple sentences: (1) Question: How much money is necessary to realize the capitalized surplus value? Answer: As much as is necessary according to the general law of commodity circulation. (2) Question: Where do the capitalists get this money to realize the capitalized surplus value? Answer: They must have it. (3) Question: Whence does the money come into the country? Answer: From the gold producers.

Then follows the sarcastic comment:

‘A method of explanation which is more suspicious than fascinating in its extraordinary simplicity.’‡

But, since nothing is done with mere sarcasm, Comrade Rosa

* *loc. cit.*

[† Sergei Nikolaevich Bulgakov (1871–1944). A student in a seminary but came under the influence of Marxism and broke with the Church. Then studied in Moscow, Berlin, London and Paris. Taught economics at the universities of Kiev and Moscow. Later in life returned to the Church and in 1918 was ordained a priest. Expelled from the Soviet Union in 1923 and lived in Paris until his death in July 1944.]

‡ Luxemburg, *Accumulation*, pp. 270–71. [See p. 301, London edn.]

Luxemburg attempts to operate with arguments, furnishing passages taken from Bulgakov with cheap interruptions and exclamation marks. She makes the poor 'gold producer' the centre of her attack.

Is it not possible, writes Bulgakov, quoted by Rosa Luxemburg, for the gold producer to purchase II's *entire* (my emphasis, N. B.) accumulated surplus value and pay for it with gold, which II will immediately use to buy means of production from I and to expand the variable capital, i.e. to purchase the additional labour-power? In this way, the gold producer acts as a real foreign market.

Yet that is a completely absurd premise. To assume that means to make the expansion of social production dependent on the expansion of the production of gold. (Bravo!) This premises a production of gold which completely fails to correspond with reality. . . . The entire production of gold has to immediately take on vast proportions. (Bravo!) . . . It is sufficient to point to one fact, which on its own destroys this premise. This fact is – the development of credit, which accompanies the development of the capitalist economy. (Bravo!) . . . In this way, the hypothesis stands in direct and open contradiction to the facts and must be rejected.*

Whereupon Rosa says:

Bravissimo! Beautiful! But in saying this Bulgakov himself has also rejected his only previous explanation of the question as to how and by whom the capitalized surplus value is realized. At any event, in his self-refutation he has only explained in more detail what Marx has already said in one word, when he called the hypothesis of the gold producer who swallows up the *entire* (my emphasis, N. B.) social surplus value 'trite'.†

Now, what did Marx consider 'trite' and what has Bulgakov (who in this case too follows Marx 'slavishly') really 'rejected'? Answer: the hypothesis that the gold producer directly buys up the *entire* accumulated surplus value of Dept II (this is as precisely formulated by Bulgakov, in contradistinction to Rosa Luxemburg). Must this hypothesis be rejected? Of course it must, because the assumption of such a hypertrophy of gold production, even in the hypothetical case of the existence of an abstract capitalism,

* S. Bulgakov, *On the Markets of Capitalist Production* (Moscow, 1897), p. 132, cited by Luxemburg, *op. cit.*, pp. 271–2. [See p. 301, London edn.]

† *ibid.*, p. 272. [See pp. 302–3, London edn.]

is inadmissible. The accumulated surplus value is obliged to pass through the money phase in its movement, yet it is not realized at once, but bit by bit, not as a compact heap of commodities to which is counterposed a compact heap of money, but by way of innumerable commercial operations, in which one and the same money unit successively realizes, out of the amount of commodity proportions, one proportion after the other; each individual portion, according to its value, is equal to this money unit.

If each money unit were converted only once; if there were no credit; if it were impossible to increase the speed of the conversion; if there were no cancellations of mutual obligations; if the production of gold were completely identical with the production of money; if there were no store of money which had arisen historically; if a premium on gold coins, etc., were inconceivable and if with all this a pure gold circulation were to be assumed, then this very 'trite' hypothesis would correspond to reality, production and its expansion would be dependent on the production of gold and the production of gold would take on vast dimensions. By the side of Rosa Luxemburg's commodity heap there would rise up a gigantic mountain of gold, vaulting higher and higher.

Hence, the triteness consists in the fact that the speed of conversion is neglected, the existence of credit ignored, etc.; in other words, *what is trite is the conception of a heap of gold which is supposed to be adequate for a heap of commodities.* On the other hand, *nothing is more trite* than the premise that the additional money comes from the gold producer, and it is *equally trite* that this money mediates the additional acts of exchange, in as much as the saving in means of circulation and the increase in the speed of conversion fails to compensate for and cover the increased need for money.

Thus, Comrade Rosa Luxemburg has failed to dispose of the matter with a few ironic exclamations in agreement. In *this* connexion the truth is not on her side. Therefore, it is not surprising that she alters the question immediately after her 'refutation' of Bulgakov and, in place of the money question, sets the notorious riddle of 'for whom', a puzzle whose solution we have given in the first chapter.

Nonetheless, yet another argument can be found in Comrade Rosa Luxemburg's arsenal concerning the solution of this ques-

tion. It is true that she presents it in a different place, but in approximately the same logical connexion. Rosa Luxemburg writes:

Either one considers the total social product (of capitalist economy) simply as a mass of commodities of a certain value, as a 'commodity-mash' and, under conditions of accumulation, sees only a growth of this undifferentiated commodity-mash and the amount of its value. Then, all there is left to do is to affirm that a corresponding sum of money is needed for the circulation of this amount of value, that this sum of money must grow if the amount of value grows – in case the acceleration of transaction and its economization fail to compensate for the increase in value. And we can answer a final question, where, in the last analysis, does all the money come from, with Marx: from the gold mines. That *too* is a point of view, namely the point of view of simple commodity circulation. But in that case one does not need to introduce concepts like constant and variable capital and surplus value, which belong not to simple commodity circulation, but to capital circulation and social reproduction, and there is no need to ask the question: Where does the money come from to realize the social surplus value, in particular (1) under simple reproduction, (2) under expanded reproduction? From the standpoint of simple commodity and money circulation such questions are meaningless and pointless. But once one has asked the question and initiated the investigation on the lines of capital circulation and social reproduction one cannot look for the answer in the realms of simple commodity circulation and then – since the problem does not exist *here* and cannot be answered – retrospectively explain that the problem has been answered long ago, it does not exist at all.*

There lies in this tirade, which is supposed to have a formally convincing effect and appear methodically thought out, a stupendous theoretical mistake, namely the following: Comrade Rosa Luxemburg, who is always appealing to the specifically Historical, Special, Peculiar, etc., overlooks precisely the special peculiarities of money and its role. Let us remember our formulae of social reproduction on an expanded scale:

$$\begin{array}{l} \text{I} \dots c_1 + v_1 + \alpha_1 + \beta_{1c} + \beta_{1v} \\ \text{II} \dots c_2 + v_2 + \alpha_2 + \beta_{2c} + \beta_{2v} \end{array}$$

What rules do we get from the standpoint of the movement of

* Luxemburg, *Accumulation*, pp. 135–6. [See p. 164, London edn.]

the total social capital? We had a series of equations, which all came down to the equation:

$$v_1 + \alpha_1 + \beta_{1v} = c_2 + \beta_{2c}$$

As far as we are dealing with elements of 'real reproduction' and presupposing an economic equilibrium, the mutual interdependence of the various branches of production gains its expression in the counterposition of the amounts of commodities (and, at the same time, values) produced on both sides. The above equations follow from this.

Let us now assume that we had a *third* row, which corresponded to the production of gold, and also of money material or money. Would there be the *same type* of equations for *this case too*? The question could only be answered in the affirmative if the premise were given that the 'heap' of gold was opposed to the 'heap' of commodities and vice versa. However, this premise does *not* prevail, for the movement of money is *different* from the movement of the commodity, the social demand for money is of a *different kind* than the demand for any commodity, and in the 'process of material change', money plays a quite *specific* role. In our formulae of social reproduction, which proceed from the basis of 'real reproduction', $(v_1 + \alpha_1)$ exhibits a demand for c_2 , and c_2 , conversely, for $(v_1 + \alpha_1)$, β_{1v} exhibits a demand for β_{2c} and vice versa; hence, altogether $(v_1 + \alpha_1 + \beta_{1v})$ exhibits a demand for $(c_2 + \beta_{2c})$, and it in turn for $(v_1 + \alpha_1 + \beta_{1v})$; the demand for *money* is of a *different type*. It is arrant nonsense to assert that here one is completing the transition to the standpoint of simple commodity circulation, which is *distinct* from the standpoint of the movement of capital. Here we take note of the specific factor which distinguishes the movement of money in the process of the reproduction of the total social capital from the movement of any materially determined form of commodity. Nobody – not even Marx – can be made responsible for the fact that the social necessity of money, hence also the demand for it, is determined, not by the fact that it must replace an increase of something in the field of *production*, but by the functional role which money plays in a very specific sphere, in the sphere of circulation.* Everything else follows from this special role of money. Thus, we read:

* The accusations which Rosa Luxemburg makes against Marx here (why, she says, ask complicated questions if one expects a relatively simple

To reduce the difference between circulation as circulation of revenue and circulation of capital into a difference between currency and capital is therefore altogether wrong. This mode of expression is in Tooke's case due to his simply assuming the standpoint of a banker issuing his own bank-notes. . . . His notes . . . cost him nothing . . . they (the bank-notes, N. B.) bring him money. . . . They differ from his capital, however. . . . That is why there is a special distinction for him between currency and capital, which, however, has nothing to do with the definition of these terms as such, least of all with that made by Tooke.

*The distinct attribute – whether it serves as the money form of revenue or of capital – changes nothing in the character of money as a medium of circulation: it retains this character no matter which of the two functions it performs.** (My emphasis, N. B.)

Thus also, this 'axiomatic' argument of Comrade Rosa Luxemburg is untenable.

Let us now turn to the main points in Rosa Luxemburg's argumentation, which no longer lie in the direction of the question of 'for whom' the accumulated surplus value is produced, but in the new direction: *How is accumulation*, which is *accumulation of money capital* according to Comrade Rosa Luxemburg's doctrine, *possible*?

For the sake of accuracy and clarity, and in order to avoid being accused in the future of having falsely attributed absurdities to Comrade Rosa Luxemburg, let us first cite the most important passages from her book concerning the question.

We ask the readers' indulgence for the necessarily somewhat long excerpts.

Let us first remind ourselves of a passage which we have already quoted. It reads:

If the capitalists as a class are the only customers for the total amount of commodities, apart from the share they have to part with to maintain the workers – if they must always buy the commodities with

answer?) as in other places, often stem from a misunderstanding of the character of the argument in the second volume. In the first instance, Marx was writing for his own purposes, made various statements, provisional notes and sketches to help him understand various questions and so on. *This* is what Rosa Luxemburg completely neglects, especially when she starts playing with words.

* *Capital*, Vol. III, pp. 435–6.

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their own money, then amassing profit, accumulation for the capitalist class cannot possibly take place.*

The author of the *Accumulation* illustrates this topic most explicitly and concentratedly in the following passage:

To accumulate capital does not mean to produce higher and higher mountains of commodities, but to convert more and more commodities into money capital. Between the accumulation of surplus value in commodities and the use of this surplus value to expand production there always lies a decisive leap, the salto mortale of commodity production, as Marx calls it: selling for money. Is this perhaps only valid for the individual capitalist, but not for the entire class, for society as a whole? Definitely not. . . . No, the accumulation of profit as money profit is just such a specific and quite essential characteristic of capitalist production, and is as valid for the class as it is for the individual employer. Marx himself also emphasizes, precisely with the observation of the accumulation of gross capital, ' . . . with the accumulation of gross capital . . . the formation of new money capital which accompanies actual accumulation and necessitates it under capitalist production . . . ' (Capital, Vol. II, p. 507. Emphasis by R. L.) . . . Capitalist A† sells his commodities to B, and so receives surplus value in money from B. The latter sells his commodities to A and receives the money back from A, which converts his surplus value into money. Both sell their commodities to C and so also receive a sum of money for their surplus value from the same C. But where does the latter get his money from? From A and B. According to our premise there are no other sources for the realization of surplus value, i.e. no other commodity consumers. But can new money capital be formed in this way to enrich A, B and C? . . . Exploitation is complete, the possibility of enrichment, of accumulation has come. But exchange, the realization of the increased surplus value in increased new money capital, has to take place in order for possibility to become reality. Notice that we do not ask here, (!) as Marx often does in the second volume of Capital: where does the money for the circulation of surplus value come from? to answer finally: from the gold-miner. We ask rather: (!) how does new money capital come into the pockets of the capitalists, since (apart from the workers) they are the only ones who can consume each other's commodities? Here money capital wanders continuously out of one pocket into the other.

* *Anti-Critique*, p. 57.

† In Rosa Luxemburg's example, Capitalist A produces coal, B machines, C provisions: let 'these three capitalists form the entirety of capitalist employers'.

But wait: perhaps such questions are putting us on quite the wrong track? *Perhaps* profit accumulation does take place in this ceaseless wandering from one capitalist's pocket into the other, in the *successive realization* of private profits, where the aggregate amount of money capital does not even have to grow, because (? N. B.) such a thing as the 'aggregate profit' of all capitalists does not exist outside of obscure theory?

But – oh dear – such an assumption would simply lead us to throw the third volume of Marx's *Capital* into the fire. For the doctrine of *average profit* (emphasis by R. L.). . . Gross capitalist profit is, in fact, a much more material economic amount than, for instance, the total sum of paid wages at any given time. . . So the problem remains: *gross social capital continually realizes an aggregate profit in money form, which must continually grow for gross accumulation to take place. Now, how can the amount grow if its component parts are always circulating from one pocket to another?*

It would appear that – as we have assumed up until now – at least the aggregate amount of commodities which contain the profit can grow in this way, and the only difficulty lies in supplying the money, which is perhaps only a technical question of money circulation. But only *apparently* (emphasis by R. L.), superficially. The aggregate amount of commodities will not increase, expansion of production cannot take place, because in capitalist production the essential *pre-condition for this is conversion into money, the universal realization of profit*. The sale of increasing amounts of commodities, and the realization of profit, from *A* to *B*, *B* to *C* and *C* back again to *A* and *B* can only take place *if at least one of them can in the end find a market outside the closed circle*. If this does not happen the roundabout will grind to a halt after only a few turns.*

This is Comrade Rosa Luxemburg's proof. Despite their confusion, these arguments have a certain fixed, logical axis. It is: capital accumulation is impossible, since it would have to be accumulation of money capital by the total capitalist, while Marx's models assume that money is continually wandering from one pocket into another, which cannot provide a basis for the realization of the entire surplus value.

Here, too, let us examine Comrade Rosa Luxemburg's argumentation, by following her thought processes step by step and carefully considering her reasons. And we shall make every effort

* *Anti-Critique*, pp. 71–3. (All emphasis by me, unless stated differently, N. B.)

to take into consideration every semi-important logical link in the chain.

I. Definition of Accumulation

According to Rosa Luxemburg, accumulation consists, not in the production of ever higher mountains of *commodities*, but in the conversion of an ever larger amount of commodities into 'money capital', i.e. in the production of ever higher 'mountains of *gold*'. Since, however, Rosa Luxemburg in no way denies the fact that expanded production means an ever greater amount of commodity values (hence also an even greater amount of use values, i.e. products *in natura*), the whole process of social reproduction, according to her, takes on the character of the parallel production of, on the one hand, a mountain of commodities and, on the other, a mountain of gold, with the accumulation of a gold mountain representing precisely the real essence of the capitalist process of production. This conception lies at the bottom of all her following considerations and also appears, amongst other things, in the definition of accumulation as *accumulation of money capital*. Under no circumstances should the accumulation of capital be confused with the purely functional role of the latter (the money phase of capital circulation). Still less, as we have seen above, should one confuse the accumulation of capital with the accumulation of its *detached* functional form, i.e. with the accumulation of money capital in the real sense of the word, of interest-bearing capital ('moneyed capital in the English sense'). The fact that the movement of the total social capital is *accompanied* by an accumulation of money capital (as Marx correctly stresses), in no way means that the accumulation of capital *is equivalent* to the accumulation of money capital, that it is *identical* with the latter. The *salto mortale* is valid for *every* capitalist, since every capitalist must market his commodity in some way or another in order to convert the redeemed money into the material form of *productive* capital. But if the *salto mortale* is a matter of essential importance for any *capitalist at all* – indeed, is an unconditional necessity – it follows that it is also a matter of essential importance and is unconditionally necessary for *all capitalists*, i.e. for the total capitalist, for capitalist society as a whole. But this in no way means that the total capitalist realizes

his surplus value *in one transaction* by exchanging the commodity heap against a heap of gold of equivalent value in one stroke. This ('Rosaist') idea is absurd.

II. *Machinations of capitalists A, B and C*

Rosa Luxemburg is dealing here with three branches of production, which are supposed to symbolize the social production as a whole, specifically with the production of coal (*A*), machines (*B*) and the means of consumption (*C*). Further, a certain amount of ready money is assumed; the capitalists put this into circulation alternately, and then 'fish it out' of circulation again. Now, how is accumulation, i.e. the formation of new money capital in their (the capitalists') hands, possible here? – Rosa Luxemburg formulates her question. She answers: It is impossible. *Ergo*, accumulation is also impossible. After all we have already explained, it is henceforth easy to refute this naïve sophism.

If one *excludes the production of gold from the very beginning* – under conditions of (absolutely essential) abstraction from the external market – then, of course, the additional gold will not fall from heaven. A child can see that. After the capital turnover, exactly the same amount of money will be available as before the said turnover. This gold cum money 'helped' the productive capital to attain a new material division of the elements into a direction which enables a new circulation to begin on a new, expanded basis. What follows from this? It follows that a *real* accumulation is possible *without* accumulation in the 'illusory form' of money, i.e. *without* the 'formation of new money capital', as Rosa Luxemburg expresses it. *Nota bene*: here, *each* of the capitalists has made precisely that *salto mortale* of which Rosa Luxemburg speaks. Hence, this *salto mortale*, which is in fact a *sine qua non* of capitalist production, was completed by *all* capitalists, and also by the total capitalist, i.e. by the capitalist class as a whole.

But since Rosa Luxemburg is obviously not satisfied with this, it must (this follows with unrelenting logic from her whole argument) be assumed that by *money capital she understands, not the money-form of capital, which assumes industrial capital in movement, but money capital as moneyed capital, which is of course*

accumulated as money and only as money. But that means a *reductio ad absurdum* of her whole position.

Naturally, it is definitely not absolutely necessary for the amount of money in circulation to remain constant. The latter is only possible if the growth of the amount of commodities, according to their value, is compensated for by savings in means of circulation (speed of turnover, credit, etc.). If such compensation does *not* pertain, the additional money flows precisely from that which Comrade Rosa Luxemburg hates so unjustifiably – from the *production of gold*. Therefore, her question, ‘How does new money capital reach the pockets of the capitalists?’ is not difficult to answer. It reaches their hands because *c*, *v* and *s* of the gold producer must be exchanged against means of production and labour-power (and, through the workers, against means of consumption). In any case, this ‘new money capital’ was in her ‘total pocket’ from the start, since our gold producer is a member of the capitalist class, thanks to divine and human provision. (We note in passing that the gold producer, according to Comrade Luxemburg’s point of view, is at the same time both a stupid and an unnatural being, since he is continually rejecting the gold form of his product.) Perhaps we can find the explanation for Comrade Rosa Luxemburg’s antipathy towards him here? The ‘new money capital’ originates here, thus, however much the author of *Accumulation* may dislike it, from the production of gold. If, on the other hand, no gold production exists, then the question posed by Rosa Luxemburg (not the one posed by Marx but: ‘We rather ask: How does new money capital come into the pockets of the capitalists?’) is *simply meaningless*, since *there is no ‘new’ ‘money capital’, and therefore none can ‘come in’ either.*

III. Accumulation of Capital and ‘Average Profit’

Comrade Luxemburg does indeed come very close to a correct solution of the problem here, but, at the decisive moment, like a rubber ball bouncing back, she leaps away from it in fright. We have already become acquainted above with her formulation of the question about the partial realizations. The question was not only posed absurdly, but answered even more absurdly. In fact,

let us once again present that critical passage, where Rosa Luxemburg completes her *own* logical *salto mortale*.

Question: 'Perhaps profit accumulation does take place . . . in the successive realization of private profits, where the aggregate amount of money capital does not even have to grow, because such a thing as the "aggregate profit" of all capitalists does not exist outside of obscure theory?'

Answer: 'No, as the "average profit" forms the centre of the third volume of *Capital*, the "doctrine . . . of average profit" gives concrete meaning to the theory of value in the first volume,' etc., etc.

We have here a real *embarras de richesses* of inaccuracies and mistakes.

Firstly, Rosa Luxemburg confuses *realization* with *accumulation*. Realization means conversion from commodity form into money form, nothing more. Thus realization is a pre-condition of accumulation.

Secondly, one cannot speak of a realization of profit, since profit itself is a result of realization. Surplus value, on the other hand, undergoes realization.

Thirdly, accumulation is *confused* with the growth of money capital. Real accumulated surplus value, which is already present in the form of *productive* capital, is seen, to a certain extent, no longer as an element of accumulation, although precisely this forms a component part of real accumulation.

Fourthly, the question about the 'total amount of money capital' is formulated obscurely. The following cases are possible:

The amount of money decreases (if the savings in means of circulation appear more important than the increase in commodity values, even this case is *possible*); the amount of money remains the same (the increase in the amount of commodity values is compensated for by the savings in means of circulation); the amount of money increases, but by no means to the same extent as the value of the total amount of commodities grows (the 'normal' case); the amount of money increases to exactly the same extent as the value of the amount of commodities grows. This last case represents that absurd case which forms the basis of Luxemburg's theory. If Rosa Luxemburg had formulated this

point precisely, the absurdity of her proof would have been patently obvious.

Fifthly, Rosa Luxemburg quite *arbitrarily* combines the absolutely correct view about the gradual character of realization with the absolutely *idiotic* view which denies the reality of the total profit of the capitalists. Rosa Luxemburg 'thought', alias 'discovered', this connexion in order to be able to meet future arguments of future opponents that much more easily. But, precisely by doing this, she has closed off the way to a proper solution of the problem.

'The total profit of the capitalists' is an objectively real amount. But that in no way means that one must imagine it as a simultaneously existing heap of gold. Comrade Rosa Luxemburg completely fails to understand this. Materially, at any given moment, it consists not only of gold, not even *predominantly* of gold, since accumulation consists precisely in the addition of profit to capital, which must put on its real working clothes, i.e. assume the form of productive capital, in which way alone the essence of the matter, i.e. *the process of increasing value*, is ensured. In pure form, i.e. taken in units of calculation, it exists as an amount of money. Its amount, however, is important for the *objective laws* of the movement of society.

We shall illustrate this with an example which Comrade Rosa Luxemburg, in her heavy-handed way, intended to exploit for herself. According to Rosa Luxemburg, the doctrine of average profit stands at the centre of the 'most important discoveries of Marx's economic theory'. Brilliant! However, as every economist knows, the average profit itself is a derived figure, since it is determined from the *rate of average profit*. (Let us note in passing that this is the 'centre' of the above-mentioned discoveries, not the average profit. That is characteristic of the accuracy of Rosa Luxemburg's economic formulation.) 'The profit accruing in accordance with this general rate of profit to any capital of a given magnitude, whatever its organic composition, is called the average profit.'*

The rate of profit, however, is an abstract amount, it is the fraction $\frac{s}{c+v}$, in which *s* means the social surplus value (cum the

* *Capital*, Vol. III, p. 156.

sum of profit) and $c + v$ the total social capital. Now, in what sense does this rate of profit have an objective character? It is objective in the sense of a social law, but not in the sense of an iron money chest against which one can crack one's skull. The same is true of total profit. It definitely does not have to assume *money-form* at all times, so to speak in all its parts, in order to be represented by this form or to play an objective role in the process of the movement of capital. But Rosa Luxemburg is quite incapable of grasping that.

IV. The Total Social Capital and the Total Profit

After Rosa Luxemburg has introduced the substantive arguments we have examined here, she finally strikes the balance. She writes:

'The problem remains: gross social capital continually realizes an aggregate profit in money form, which must continually grow for gross accumulation to take place. Now, how can the amount grow if its component parts are always circulating from one pocket to another?'

Now, it is also easy for us to strike the total balance of this total accumulation of mistakes which, it is true, continually wanders from side to side with Rosa Luxemburg but which nonetheless constantly increases in quantity, new additional inaccuracies, obliquenesses, indeed downright errors, being added on the way.

It is true that the total social capital continually yields a total profit. It is incorrect that the total profit, in as much as we are dealing with the form of the actual existence in a chronologically given moment, only exists in money-form.

It is true that the profit accrues to the capitalists in money-form, as realized surplus value. It is incorrect that this realization represents a unique act concerning the total surplus value.

It is true that the amount of circulating money *usually* grows. It is incorrect that the accumulation of capital necessarily presupposes an increase of money.

It is true that accumulation passes through the phase of the money-form of capital. It is incorrect that the accumulation of capital is an accumulation of money capital.

* *Anti-Critique*, p. 73.

It is true that the accumulation of capital is generally accompanied by an accumulation of money capital. It is incorrect that the accumulation of capital is equal to or equivalent to the accumulation of money capital.

And so on and so forth.

V. The Last Carousel of Comrade Rosa Luxemburg

At the end, the author of *Accumulation* takes refuge in the notorious *carousel* which must 'grind to a halt', as she has already done occasionally in her precious proof in the question of 'for whom' expanded reproduction takes place. Why must it grind to a halt? Not only because of the fact that it is difficult to get money, but also because the amount of *commodities* will stop increasing, since the growth of the amount of commodities itself presupposes a 'generalized realization of profit' (it should read: 'of surplus value', N. B.). Here we must once again cite the relevant passage, since along with an attack she also demonstrates all the signs of a disorganized retreat. Rosa Luxemburg writes:

The sale of increasing amounts of commodities and the realization of profit from *A* to *B*, *B* to *C* and *C* back again to *A* and *B* can only take place if at least one of them can in the end find a market outside the closed circle. If this does not happen the roundabout will grind to a halt after only a few turns.*

There would definitely be no halt if the turnover speed of the growth of credit, etc., were to increase at the same speed as the amount of commodities, as we have seen. The necessary realization would take place with the help of the same amount of money. The money would circulate faster. That is all. However, there is another interesting question here. Rosa Luxemburg assumes that the problem could be solved, as far as she is concerned, if a capitalist had realized his surplus value outside the 'circle'. Now how is this?

In fact, let us assume that we had capitalists *A*, *B*, *C*, *D*, *E*, *F*, and so on; the surplus value destined for realization would be *a*, *b*, *c*, *d*, *e*, *f*, and so on respectively.

* *Anti-Critique*, pp. 65-6.

We then have the series:

$A \dots a$
 $B \dots b$
 $C \dots c$
 $D \dots d$
 $E \dots e$
 $F \dots f$

\vdots
 \vdots
 \vdots

The total surplus value is then $a + b + c + d + e + f + \dots$ and so on.

Let us further assume that one of the capitalists, let us say F , has left the 'circle' and realized the amount f 'on the other side'. But the sum of the surplus value destined for realization is $(a + b + c + d + e + f + \dots$ and so on). Now, how can the capitalist realize this sum? (For Rosa says that they could, as soon as only *one* leaves the circle.)

If Rosa were to answer that it would be possible because f wanders from one pocket into the other, she would give up her *main position*. To answer differently would be impossible – there is no other answer. Here we are faced with the *line of retreat* along which the *flight* takes place. Against such a solution the entire line of proof of Comrade Luxemburg can be brought about, that the *individual* capitalist can realize his surplus value, the *class* of capitalist could not realize it, etc., etc.

But there is another side to that question. If the rate of conversion is not equal to the growth of the number of commodities, the additional money reaches the channels of circulation by means of the gold producer, where the product (also the additional product) possesses the natural form of gold. *Thus the circle is broken*, as long as such a break really becomes a necessity. But as we have seen above, and as follows from the reasons mentioned above, it is nonsense and nothing but nonsense to assume that the additional amount of money must be equal to the additional amount of commodities to be produced.

Ergo: Rosa Luxemburg's basic mistake is that she takes the total capitalist as an individual capitalist. She underrates this

total capitalist. Therefore, she does not understand that the process of realization occurs gradually. For the same reason she portrays the accumulation of capital as an accumulation of money capital.

From this – as we believe – results the manner in which she explains imperialism. Indeed, if the total capitalist is equated with the typical individual capitalist, the first of course cannot be his own consumer. Furthermore, if the amount of additional gold is equivalent to the value of the additional number of commodities, this gold can only come from abroad (as it is obviously nonsense to assume a *corresponding production of gold*). Finally, if all capitalist have to realize their surplus value at once (without it wandering from one pocket to another, which is strictly forbidden) they need ‘third persons’, etc.

In our first chapter we dealt with Luxemburg’s theory in the *most abstract* form of questioning. There we were not yet dealing with money. Rosa Luxemburg’s critical question is: ‘For whom?’ We have shown that this question can be answered quite satisfactorily.

In our second chapter we moved one step closer to concrete reality, by analysing the money question. Here Rosa Luxemburg is already asking who pays and what becomes possible by paying. We have also found a satisfactory solution to this question by showing her basic mistake as well as the individual errors in this second stage of our abstract analysis.

It is the intention of the following chapter to bring us yet another step closer to reality by analysing the *loss of equilibrium*, immanent in the moving capitalist system and resulting from the contradictions of capitalism, which we provisionally omitted.

3. THE GENERAL THEORY OF THE MARKET, AND CRISES!

Before we turn to the analysis of the contradictions of capitalism, we must briefly deal with the conclusion of our analysis of Rosa Luxemburg's position from the standpoint of the theory of the market. We have investigated the process of extended reproduction and of realization of surplus value as an unavoidable factor in this reproduction, and all in all we have reached a conclusion, formulated by Marx with classic clarity as follows: 'These limits of consumption are extended by the exertions of the reproduction process itself. On the one hand this increases the consumption of revenue on the part of labourers and capitalists, on the other hand, it is identical with an exertion of productive consumption.'*

One must be aware of the whole difference in the way that Marx and Rosa Luxemburg posed the question. According to *Marx*, accumulation is possible, realization is possible, expanded production is possible. However, these processes do not run smoothly, but complete themselves in contradictions, both those which reveal themselves in the permanent variations of the capitalist system, and the others which express themselves in violent convulsions. In the last analysis, the process of capitalist reproduction itself represents an expanded reproduction of capitalist contradictions. According to *Rosa Luxemburg*, the matter is quite different. According to her, both a realization of the surplus value and an accumulation and expanded reproduction are absolutely *impossible*, in so far as one is dealing with a purely capitalist society – to a certain extent, they are impossible from the very beginning, *a priori*. What, according to Marx, appears in the form of 'leaps' and spasms of the capitalist system, in the form of *explosions* of contradictions (crises of over-production), is held by Rosa, according to the nature of the matter, to be a

* *Capital*, Vol. III, p. 471. The reader should note that this quotation is from the third volume of *Capital* which, according to Rosa Luxemburg, Tugan-Baranovsky and many others, is supposed to contain elements opposing the formulae in Vol. II.

permanent manifestation at any given moment in the industrial cycle.

This viewpoint was refuted by Marx a long time ago

A distinction must be made here (writes Marx). When Adam Smith explains the fall in the rate of profit from an over-abundance of capital, an accumulation of capital, he is speaking of a *permanent* effect and this is wrong. As against this, the transitory over-abundance of capital, over-production and crises are something different. *Permanent crises do not exist.**

Let us also mention in passing the interesting fact that Comrade Lenin had already represented a completely identical standpoint several years before the publication of Marx's *Theories of Surplus Value*: 'I did not say anywhere that this contradiction (i.e. the contradiction between production and consumption, N. B.) should *regularly* produce a surplus-product.' In a footnote to this he says more precisely:

I stress *regularly* because the irregular production of a surplus-product (crises) is inevitable in capitalist society as a result of the disturbance in proportion between the various branches of industry. But a certain state of consumption is one of the elements of proportion.†

Consequently, it is quite permissible methodologically to examine the problem at first with the exclusion of crises, whereupon these too *must* be analysed.

Thus, we have seen that the 'limits of consumption' are expanded by production itself, which increases (1) the income of the capitalists, (2) the income of the working class (additional workers) and (3) the constant capital of society (means of production functioning as capital). We have already had the opportunity to convince ourselves that Rosa Luxemburg rejects this solution to the question as corresponding to the standpoint of Tugan-Baranovsky. Now, in itself, this argument is not exactly convincing. After all, Marx did say of the bourgeois economists that it could happen from time to time that 'a blind pig can find

* *Theories of Surplus Value*, Vol. II, p. 497. (My emphasis in last sentence, N. B.)

† Vladimir Ilyin, reply to Mr P. Nezhdanov, Lenin, *Collected Works*, Vol. IV, p. 161.

an acorn'. Since, however, Rosa Luxemburg's views on this point are shared by a fair number of people and since, moreover, we have not yet had a clear criticism of Tugan-Baranovsky's market theory, this seems to be the place for us to examine the theory of this economist. It seems to us to be all the more necessary to 'distance' ourselves from him, since Comrade Luxemburg's errors will also come to light that much more clearly in the process of such a 'distancing'; above all, however, our own position will be defined with more precision.

The main reason why Marx was able to clarify the question of the reproduction of the social capital was that he completely destroyed and tore to pieces the dogma that the [exchange] value of the product resolves itself into *income*, and *only* into income [i.e. wages, profits and rent], which had been dominant since the times of Adam Smith. Together, the reproduction of the constant capital and the production of *additional* constant capital form the most important part of the process of expanded reproduction. Moreover, this point is directly related to the *theory of the market*, for there appeared, alongside the *consumers'* market and to an increasing extent, the *market of means of production*, which corresponds to productive consumption, not to personal consumption. Similarly, this situation is also of decisive importance for the theory of the accumulation of capital, since the accumulation of capital presupposes an increase in the *constant* capital, in a progressive relation compared to the variable capital. And so on and so forth. This is why Marx, with justification, returned again and again to this theme, which Comrade Rosa Luxemburg completely fails to understand.

Herr Tugan-Baranovsky takes this completely correct thesis as his point of departure and begins to make it more 'profound'.

It follows unavoidably from the diagrammatic investigation of the capitalist economy as a social unit (he writes) that the extent of the market in the capitalist economy is in no way determined by the extent of social consumption. If the worker is replaced by the machine, there is, naturally, a regression in the social demand for means of consumption. This, however, is compensated for by a growth in the demand for means of production. Similarly, the conversion of the capitalist's income from a fund of personal consumption into capital leads to a decrease in the demand for means of consumption, whilst this is

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compensated for by an increase in the demand for means of production. Generally speaking, *a proportioned distribution of the social production cannot initiate any sort of regression of consumer demand to the extent that the general supply of products on the market exceeds the demand for them.** (Tugan-Baranovsky's emphasis, N. B.)

This passage alone already contains implicitly all the logical contradictions of Tugan-Baranovsky's 'theory', its whole 'originality' and 'paradoxicality', the essence of which consists in the assertion that no necessary connexion is given between the consumers' market and social production.

The passage cited, however, passes over what is at first sight an irrelevant 'triviality', but one which is, nonetheless, crucial for the matter. Mr Tugan-Baranovsky makes the following series of assertions: the machine replaces the worker, the machine's consumption takes the place of human consumption – and the matter is settled. One compensates for the other, the balance is erected, and the emancipation of the fourth estate is replaced by an emancipation of the production of means of production, which has detached itself once and for all from the production of means of consumption. Even if it will not exactly contribute to raising the reputation of the deceased apologist of the bourgeoisie, it must nonetheless be established that Mr Tugan-Baranovsky has simply allowed himself a criminal liberty, for he has avoided the most important question of all. If a machine is employed, the result is *an expansion of the production of products which are produced with the help of this machine*. What happens to these products? What is the relation of the value of the machine employed to the value of these products? In other words, and looked at from the standpoint of the market: what is the relation between the market of means of production and the consumer

* M. J. Tugan-Baranovsky, *Periodic Industrial Crises*, 4th edn. (published by the Literary Cooperative Society of the Smolensk Government-Committee, Smolensk, 1923), p. 205 (in Russian). Moreover, this edition is provided with a preface by Comrade W. Smuschkov which demonstrates a universal ignorance and according to which Marxists reject the thesis that capitalist production 'creates its own market', that Marx had given 'no legal (?) and detailed (?) thorough doctrine of crises' and so on. It seems that we are witnessing the beginning of a spread of amateur theoreticians who think that their achievements need only be guided by the conviction that boldness alone can move mountains.

market? Tugan gives us no answer to the first two questions. He simply suppresses the fundamental question; as a result, it is not surprising that he reaches the 'paradoxical conclusion', about which, *nota bene*, he is inordinately proud:* since there is a market of means of production, production is independent from the consumer market.

Let us try to get to the heart of the matter. The structure of the market can be investigated from two completely different directions.

Firstly. Let us take the social capital in its commodity-form, the 'commodity-mash' of Comrade Rosa Luxemburg. Objectively, this commodity-mash splits up into two large departments, means of production on the one hand, and means of consumption on the other.

Thus, we are dealing here with a *co-existence* of various commodities and their respective branches of production. When considered like this, the necessary technical-economic connexion between the various branches of production appears as hidden, veiled and invisible. The reason for this is immediately obvious. For the means of production here are *not those* means of production with the aid of which the co-existing means of consumption are produced. Our means of production will only be used for the production of means of consumption at the *next* capital turnover. The same is true of the means of consumption, for their corresponding means of production have already been used and are therefore not present on the market; their value (in this connexion it is irrelevant whether it is their full value, or only part of it) has gone over to the means of consumption and been incorporated in them. Thus, our commodity-mash and the market seen from this side can not only not illuminate the question of the necessary connexion between the various branches of production, they can only *obscure* it.

Secondly. The second point of view proceeds from the investigation of the mutual connexion of the various branches of production. From this point of view, we are dealing with a relationship in which there exists a series of mutually related branches of production. Each branch provides raw material for the other,

[* In German the phrase is '*nicht weniger stolz als der Neger auf sein Nasenring*', Trans.]

until, by way of a series of stages, we reach the finished product which is destined for immediate consumption.

Here, the entire productive apparatus of society is – completely consistent with reality – basically nothing other than an apparatus for the production of human means of consumption. However large they may be in themselves, the branches producing means of production appear as *preliminary stages of the production of means of consumption*. Developed production, including capitalist production, obscures this fact since, as Marx has already established accurately, the temporal succession of the individual branches (as stages of a process of the production of means of consumption which is essentially *unified*) is replaced by their spatial arrangement. The product is present simultaneously in various stages of its manufacture. Thus, we are not dealing with a development which can be traced from its origins, not with an *ab ovo*, as Marx puts it. The process is not such that first, for example, *only* ore, coal or cotton is obtained, then *only* machines, then *only* yarn, and lastly *only* cloth, etc., is manufactured. No, all these branches function simultaneously. Nevertheless, this situation in no way negates the existence of a quite specific dependency relationship between them, i.e. of the mutual dependence of the various branches which produce means of production and those which produce means of consumption.

Consequently, it is absolutely *inadmissible* in the question of the market to be content with the first point of view, i.e. to investigate the market independently of the mutual connexions of the various branches of production. Mr Tugan-Baranovsky, on the other hand, has basically formulated the question precisely in the first way, despite all his ‘models’. We shall attempt to demonstrate this in more detail, although Mr Tugan-Baranovsky has made such an idiotic mess that it would need a special treatise to refute it systematically.

Let us take a closer look at the problem. At any time, certain quantities of means of production and consumption are present on the market. With respect to their values, there is a *relative* increase in the share of means of production, and a relative decrease in the share of means of consumption. There is no doubt about this. Similarly, there is no doubt that an *ever greater share of the total social labour devolves upon the production of means of*

production. Mr Tugan-Baranovsky is only plagiarizing Marx when he pompously spins these truths out. His 'deepening' of Marx's thoughts, on the other hand, is quite another matter, and it is this which represents the 'original' side of Tugan-Baranovsky's opinions.

Thus, in respect to its *value* the share of means of production manifests a relative increase. What does that mean? It means that – expressed in *products* – there is a huge increase in *means of consumption*. The higher the organic composition of capital and the productivity of social labour, the greater is the amount of consumption products which are placed upon the market. Moreover, the value of the individual unit of the product *falls*. Let us turn to the above-cited passage from Tugan (to the example of the employment of machines); in this case we are not only dealing with the fact that the meat-eating worker has disappeared and has been replaced by the coal-consuming machine, but also with the fact (which is not only no less important, it is even more important) that large commodity-amounts of those products which are produced with the help of the new machine are placed upon the market. At all events, that already leads us *beyond the frame of reference of the question as first posed*. Tugan does not understand this. He writes:

Nevertheless, there is no surplus product, since in this case the demand for means of production completely replaces the demand for means of consumption. It is a fact that this machine needs a certain economic expenditure in order to be able to work, just like the worker. For example, if the worker is supplanted by the machine in the production of a certain product, there is a decrease in the social demand for means of consumption for the working class; on the other hand, there is an increase in the demand for machines themselves and for everything necessary for their work (such as heating material, lubrication, etc.). As a total result, there is no contraction of the commodity market. All that is changed is the type of commodities demanded by the market. In this way, it is possible for the social wealth (which is expressed in the amount of products at the disposal of society) to increase when the social income falls.* (Tugan-Baranovsky's emphasis, N. B.)

We have already mentioned that the introduction of a machine into the production of 'a certain product' must be followed by a

[* *op. cit.*, p. 205.]

growth in the quantity of this 'certain product'; Mr Tugan-Baranovsky, however, does not want to know anything about this. There is, however, one more point which must be mentioned. Our Marx-critic admits that the demand for fuel, lubricating oil, etc., increases. But we ask Mr Tugan-Baranovsky: Where does this increased amount of fuel, lubricating oil, etc., come from? This blessing has not descended from heaven! And if not, he is clearly assuming an expansion of production in this branch of production (and, in connexion with this, in others too), thus additional workers, i.e. additional demand for means of consumption, including a 'certain product', in so far as there was something hidden behind this 'certain product' which belonged to the means of consumption of the working class.

What is our result? A quite different one from that of Mr Tugan-Baranovsky. A careful analysis has shown that (1) the increase in means of production calls forth a growth in the amount of means of consumption; (2) simultaneously, this increase creates a new demand for these means of consumption and that, as a result (3) a specific level of the production of means of production corresponds to a quite specific level of the production of means of consumption; in other words, the market of means of production is connected with the market of means of consumption. Thus, in the last analysis, we arrive at the opposite of that which Mr Tugan claims with such aplomb to be the most amazing discovery of the 'latest' political economy. From the standpoint of the question as first formulated, what happens in various branches of industry in the *following* capital turnovers is irrelevant in the analysis of the market. At best, only those capital turnovers directly related to the given one will be investigated – and then very one-sidedly, so that one is depriving oneself of the possibility of comprehending the 'objective meaning' of the process of production.

In fact, if one looks at the problem from this point of view, and only from this point of view, one can only arrive at a conclusion *à la* Tugan-Baranovsky anyway. Let us assume that we had built a magnificent machine shop in the iron foundry industry. There is a huge increase in the consumption of coal and iron. Is this the end of the affair? Not in the least. As long as we are moving in the direction of an analysis of only this preliminary stage of the process, we can in fact fall prey to the illusion that the machine

industry consumes coal and iron, whilst the mining industry consumes machines, so that the whole 'work' is carried on in an autarchic, closed circle. Things look different as soon as we become conscious of the productive relation of the individual branches of production. The machine industry manufactures an increasing amount of machines. What does that mean? It means that, for example, in the textile industry, even with a smaller number of workers, a much '*greater*' amount of cotton and other raw materials is processed and thus a significantly *greater* amount of the finished product, i.e. linen, an object of direct consumption, is produced. This extraordinary increase in the *amount* of commodities is accompanied by an increase (although by no means a proportional one) of their value, since the value of the finished means of consumption represents not only the labour expended in these branches of industry which produce means of consumption, but also the value of the raw materials, machines, etc., which is automatically transferred to them.

Mr Tugan-Baranovsky's belief that one can cram any amount of labour and means into the production of means of production, as if it were a bottomless vat, and that everything then develops smoothly, since there is no dependency relationship between the consumer market and the process of social reproduction under the capitalist regime, is therefore quite absurd. ('No regression of consumer demand, whatever form it may take, is capable of causing a surplus of general supply.')

Tugan's absurd belief reaches its culminating point in a mad utopia which he dishes up to his honoured readership quite brazenly; indeed, he is obviously proud of it. Here is the notorious passage:

But will not this relative replacement of human consumption by productive consumption of means of production result in the creation of a surplus product for which there is no room on the market? Of course not. It is a simple matter to construct a new model . . . and to show clearly that even the most comprehensive replacement of workers by machines could not in itself make any machine superfluous or valueless. Even if every worker except one had been replaced by machines, then one single worker would keep the entire colossus of machines in motion and with their help produce new machines and means of consumption for the capitalist class. The working class will

disappear. But that will not in the least hinder a realization of the products of capitalist industry. The capitalists will have at their disposal a large amount of means of consumption, while the entire social product of one year will be swallowed up in the following year by production and the capitalists' consumption. If the capitalists, however, wish to restrict their own consumption in their urge for accumulation, there is nothing to stop this. In this case, the production of means of consumption for the capitalists will be restricted so that a still greater share of the social product will consist of means of production destined for the further extension of production. For instance, coal and iron will be produced and used for the further extension of the production of coal and iron. The expanded production of coal and iron will in each following year consume the amounts of coal and iron produced in the preceding year and so on *ad infinitum* until the natural resources of the respective minerals are finally exhausted.*

Tugan-Baranovsky, sage and superman, decorates this charming fantasy with the following invigorating tirade: 'All this may sound strange, indeed, it may even appear to be utter nonsense. That may well be so. Truth is not always easy to grasp. But truth is still truth.'†

Let us take a closer look at this 'truth' of Tugan-Baranovsky, together with its para-logical reasoning.

In the case used by Tugan we are dealing with an immeasurably high organic composition of capital which is inconceivable in real life. But let us accept Tugan's assumption for the time being. What does it mean? It means a *still more measureless production of means of consumption (in products)*, which is so measureless that the 'capitalists' are naturally quite unable to consume this Mont Blanc of means of consumption.

It is precisely *this* which Tugan, in his naïveté, overlooks, because he does not see the technical-economic logic of the production process as a whole. According to him, the production of means of production appears as an autarchic, sovereign and independent sphere, with no connecting bridge whatsoever to the production of means of consumption. In fact, one of the two: *either* coal and iron are *only* produced for the production of coal and iron, *or* coal and iron are also produced for the manufacture

[* *op. cit.*, p. 212.]

† *loc. cit.*

of machines, maintenance of the railways, textile factories, breweries, power stations, etc.

In the first case, we are dealing with a part of the social production which by its very nature *has no connexion whatsoever with social consumption*. There is not the least difference between this example and, shall we say, the case in which, according to Bulgakov's work *The Philosophy of Economy* ('The World as Economy'), the mad Simeon Stolpnik believes himself to be a capitalist who owns the world, since it belongs to his economy. The cosmic 'metabolism' would then be simultaneous production, the idiot Simeon would exercise restraint on a global scale for the purposes of automatic 'accumulation' and the whole process would stand in the same relation to human consumption as the 'process of production' of coal and iron in Tugan-Baranovsky's example. It makes absolutely no difference to the matter that Tugan still keeps 'one worker' to accomplish this humbug, for if this 'one worker' were ordered by his clever bosses to produce coal and iron for coal and iron, this would have the same economic importance as if he were forced to spit at the ceiling all day long, or if neither he nor the products produced by him existed at all.

Things look different, however, if coal and iron are produced not only for the sake of expanding the production of coal and iron, but also to supply raw materials and fuel to the machine industry, to the branches of industry for semi-finished and finished commodities which flow out onto the consumer market. In this case, sooner or later the huge expansion of means of production would unavoidably lead to a huge increase in *the means of consumption placed on the market*. And if there were no demand for these means of consumption, there would take place an unavoidable and devastating collapse, in which precisely that connexion between production and consumption whose existence is denied by our 'paradoxical' Tugan would come into force with primitive violence.

Tugan builds up an entire system of further arguments around this cardinal point of confusion, which only increases the mess.

Let us examine, for example, one of his most important theses: '*Generally speaking, a proportioned distribution of the social production cannot initiate any sort of regression of consumer demand to the extent that the general supply of products on the*

market exceeds the demand for them.' Let us consider the matter. What does 'proportioned distribution of the social production' mean? Does it include a mutual relation between the production of means of production and the production of means of consumption, or not?

If the required proportionality is likewise a proportionality between the production of means of production and the production of means of consumption, if *this* proportionality is included, this means the existence of a *connexion* with the consumer market. *But it is then absurd to maintain* that no 'regression of consumer demand' can initiate an over-production and the creation of a surplus product, for the regression of consumer demand, its decrease relative to the supply of means of consumption, *means nothing other than the violation of the proportionality.* (We recall Lenin's words: 'But a certain state of consumption is one of the elements of proportion.') If this proportionality, however, is *not included*, the entire course of social reproduction as a whole remains a puzzle. For the production of means of production, which is *relatively* independent under the domination of capitalism because of the anarchical character of its market and production, is *by its very nature* connected to the production of means of consumption by a whole series of links in production; and so it must be.

'The proportioned division of the social production' therefore, means something quite different from that which can be read in Tugan-Baranovsky. He says that coal and iron are produced for the further production of coal and iron. What do the machine factories live on? Where do they get coal and iron from? Naturally, they receive coal and iron from the sources of the latter's production. Thus, there is a *connexion* between the production of coal and iron and the production of machines. Exactly the same connexion also exists between the production of machines and textiles, chemical products, etc. For abstract machines are not produced, not machines 'in themselves', not platonic 'ideas' of machines, but extremely concrete machines, which must serve quite concrete productive ends. In other words, the value-relations here are connected in a specific form, as Marx puts it. Or else, the proportionality of the social production represents a mutual relation between the parts of capitalist production such

that, along the entire front of the whole process of production, one branch of industry delivers an adequate amount of products to the other. From this point of view, it is obvious that a violation of proportionality can originate from the production of raw materials as well as the production of machines, from the production of half-finished goods as well as from the production of means of consumption.

Tugan-Baranovsky writes:

With a proportional division of the social production, no sort of regression of social consumption can initiate the creation of a surplus product. I consider the consistent regression in the share of popular consumption of the social product to be a basic tendency of capitalist development; nevertheless, in contradiction to Marx, this in no way hinders the process of the realization of the products of capitalist production.*

It can easily be seen that two completely different things are mixed in this tirade: the increase of the share (in values) of means of production and the disproportionality between production and consumption.

We shall analyse this really childish confusion immediately. But first, a further passage, which throws an unexpected light on Tugan's whole theoretical conception, will be quoted:

In capitalist economy (explains the super-clever Tugan, that connoisseur of commodity economy) about whose nature Marx was not completely clear, the capitalist class converts a considerably *larger* (our emphasis, N. B.) share of the social product into means of production than would be possible in a harmonious economy. With the existence of an association of producers, the goal of production would be the most complete satisfaction of social needs possible, which would completely exclude a state of affairs in which an expansion of production was not also accompanied by an expansion of social consumption. In capitalist society, however, it is the tendency of technological progress to replace human consumption (with the consumption?) of means of production to the disadvantage of social consumption.†

All that is utter nonsense. *It is not true* that the share of means of production grows faster in a capitalist economy than in an 'association of producers'. The exact opposite is true. Capitalism sets *objective limits* to the growth of this 'share', because when

* *op. cit.*, p. 213.

† *ibid.*, p. 212.

labour-power is cheap the capitalists do not have a sufficient incentive to introduce new machines. That is part of the ABC of the science of economics. Compared with all *earlier* social formations, capitalism provides, of course, an incomparable stimulus to technological progress and the increase of the share of means of production. Compared with the 'association of producers', however, capitalism is an economically reactionary system *precisely* because it sets *limits* to the development of the productive forces.

The increase of the 'share' (in values) is nothing other than the expression of the rise of the productivity of social labour. Thus, the said 'share' (converted into labour) will grow *even* faster under socialism and *for this very reason* will guarantee the gigantic growth and diversity of *use values*.

If accumulation were to take place more slowly, the development of *consumption* would also be impossible. Capitalism is not 'blamed' for developing the productive forces too quickly and replacing human labour with that of machines, but for the following (naturally, we are dealing here only with those questions which *directly* relate to our theme):

1. Capitalism develops the productive forces *insufficiently* and, as a result, also increases the share of means of production *insufficiently*.

2. Capitalism *distributes* these productive forces 'incorrectly' (unproductive consumption).

3. Capitalism has a *double budget* system of consumption (luxury production, capitalists' wastefulness, etc.).

Thus Tugan's assertion that the 'sin' of capitalism consists in the fact that human consumption is replaced by the consumption of machines, is absurd. The essence of the question is something quite different.

Let us now return to Tugan-Baranovsky's basic arguments.

After the comments we have already made, it cannot be difficult to expose Mr Tugan's naïve confusion. The fall of the share of social consumption in comparison to the share of means of production is a fact. But capitalism's 'difficulty' does *not* lie in *this* fact (which will be even more 'characteristic' for socialism). This difficulty lies in the fact that the anarchical structure of capitalism, in which production is not controlled, i.e. the lack of a social proportionality *as a whole*, and in which the incentives to promote

accumulation stimulate an ever increasing extension of the scale of production, is unavoidably heading towards situations in which production, driven beyond the *limits* of the required proportion, comes into conflict with *social consumption*. However, the diminution of this consumption *below* a certain level *does* represent a violation of the proportionality, *however much* social consumption declines.

Here we come across the theory of crises. But before we turn to this, we shall first attempt to summarize what we have said about Tugan; this will take place in the form of theoretical characterization. This is all the more necessary since Mr Tugan still has a certain *renommée*, although it would indeed be difficult to find a writer who – *sit venia verbo* – was as completely devoid of theoretical honour as this same gentleman, who began his career by flirting with the proletariat and ended it by worshipping the boots of the generals.

The '*maximes générales*' of Mr Tugan's theoretical aspirations consist in the crudest apology for the capitalist regime and the struggle against revolutionary Marxism. Everything else is subordinated to these *maximes*. Hence the absolutely unbearable eclecticism with which all the 'works' of the honourable professor abound.

In fact, in his fight with Marx's labour theory of value, he immediately adopts the standpoint of its 'reconciliation' with Böhm-Bawerk's marginal utility theory,* e.g. 'The greatest service of the new theory consists in the fact that it promises to put an end, once and for all, to the conflict over value by proceeding from *one* basic principle and giving a complete and exhaustive explanation of *all* manifestations of process of valuation.†

As is well known, according to the teachings of the Austrian School the value of the means of production is determined by the

[* Eugen von Böhm-Bawerk (1851–1914). Austrian. Leader of the Austrian School at the latter end of the nineteenth century. Three times Finance Minister of the Austro-Hungarian Empire. Later held chair of Political Economy at Vienna University. Two major works are *Capital and Interest* and *The Positive Theory of Capital*. Wrote a rebuttal of Marxist economics in *Karl Marx and the Close of His System*.]

† Tugan-Baranovsky, *Basic Features of Political Economy*, 2nd edn. (Petersburg, 1911), p. 40.

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value of the means of consumption, and these by their marginal utility.* Tugan knows that too. In his *Basic Features* he writes:

The value of the means of production is determined by the marginal utility of this means of production below all objects produced with the help of the given means of production which manifest the least marginal utility.†

But now Herr Tugan receives a *new* apologetic 'commission'. He has to prove that there is no contradiction at all between production and consumption, and that no diminution of consumption *whatsoever* can disorganize capitalist production. 'Coal and iron are produced for – coal and iron.'

But excuse me: what happens in that case to the theory of value? The entire theory of value is built on the utility of the *use-objects*! According to Böhm-Bawerk, coal and iron are to a certain extent as yet immature linen, boots and grain! This is at the bottom of the theory which 'promises to put an end, once and for all, to the conflict over value'! Just try to explain the value of coal and iron which do not mature into *any kind of* articles of use! A child in swaddling-clothes can see that Tugan is developing two 'systems' of views which directly contradict each other. In as much as one can still talk of some kind of logic here, it would only be the logic of a theoretical swindle which welcomes all means once it comes to justifying His Majesty's capital.

To proceed. Mr Tugan needs to 'guarantee' the course of the social reproduction under capitalism, and he is ready, not only to recognize Marx's thesis about the *diminution of the share of social consumption*, but also simultaneously to make Marx more 'profound' and falsify him, by introducing the argument about the independence of the production of means of production from social consumption. He writes:

And the view that the extent of the market in capitalist economy is determined by the extent of social consumption could only take root in science because the economists never use the method of an investigation of capitalist economy as a whole.‡

[* Austrian School. Developed the marginal utility theory of value. Weiser and Menger, the two leading exponents. Bukharin wrote an analysis of this school in his *Economic Theory of the Leisure Class*.]

† *op. cit.*, p. 45.

‡ *Periodic Industrial Crises*, p. 205. 'I consider the steady decrease of the

Now, however, Mr Tugan suddenly receives *another* 'commission'. He is to prove that the matter is by no means so sad from the standpoint of the class struggle as the nasty 'Marxists' claim. And in the twinkling of an eye Mr Tugan manufactures an opposite theory, which is:

The increase in the productivity of social labour leads to a growth in the total sum of the social product (in terms of labour values, N. B.). This surplus product increases relative to the total sum of the social income. Hence, all social incomes can increase simultaneously at the cost of the diminution of the share of means of production.*

Thus, the share of means of production *falls* while the share of income rises. This truth is not understood because

the simultaneous increase of the shares of capitalists and workers in the social product (but not at the cost of diminution of the shares of any other social classes in the social product) must appear completely impossible to modern political economy, which has not progressed beyond Ricardo in this connexion. However, the only reason for this apparent impossibility is that modern science views the total product as consisting solely of means of consumption.†

In reality, however, Tugan holds that incomes (in labour units) grow at will *thanks to the productivity of labour (!), at the cost of the share of means of production!* So a ready-made explanation is always immediately available. Everything is delivered at will. At one time, the share of means of production increases because this is an expression of the productivity of labour. At another, the 'share' *decreases for the very same reason. . . .*

Of course, this clumsy apologetic dance of Tugan's has nothing in common with Marxism. It is unfortunate that Comrade Rosa Luxemburg *confuses* the conception of orthodox Marxism, the conception of Marx himself (in the second and third volumes of *Capital* as well as in *Theories of Surplus Value*) with Mr Tugan-

share of popular consumption to be a basic tendency of capitalist development' p. 213.

* *Basic Features of Political Economy*, p. 441. The context and the graphic additions show that we are dealing with labour values here. The reader will find more detailed material on this subject in our study devoted to the theory of distribution, 'An Economy Without Value', *Neue Zeit*, 1913-14, Vol. I.

† *Basic Features of Political Economy*, pp. 440-41.

Baranovsky's apologetic position. Mr Tugan-Baranovsky was wrong about Marx's correct views in his criticism (and in his quite monstrous falsification); however, it does not in the least follow that Rosa Luxemburg's viewpoint is free from sin. Tugan is wrong, not because he considers realization to be possible, but because he tears away the necessary connexion between production and consumption. On the other hand, Rosa Luxemburg is wrong, not because she insists on this connexion, but because she considers realization to be impossible within the framework of capitalist society.

We must now turn to a general treatment of the problem of crises.

We have seen that Tugan's theory of the market and realization and Marx's theory are as different as day and night. Comrade Rosa Luxemburg, however, continually accuses the models of the second volume of *Capital* of leading to Tugan-Baranovsky's theory and contradicting the fundamental principles of the third volume of *Capital*. As when she writes:

. . . Lastly, the model contradicts the conception of the capitalist process as a whole and its course as laid down by Marx in the third volume of *Capital*. The basic idea behind this conception is the immanent contradiction between the limitless expansive capability of the productive force and the limited expansive capability of social consumption under capitalist distribution relations.*

And at another place: 'Neither does the consumptive power of society pose any limit to production . . . for the process of reproduction as portrayed in the model.'†

And finally, a third passage:

The model certainly admits crises, but due exclusively to lack of proportionality in production, i.e. to lack of social control over the process of production. *On the other hand* (our emphasis, N. B.) it excludes the deep and fundamental contradiction between the ability of capitalist society to produce and its ability to consume, which stems from capital-accumulation, airs itself periodically in crises, and drives capital on to the continual expansion of its market.‡

* Luxemburg, *The Accumulation of Capital*, p. 266. [See p. 343, London edn.]

† *ibid.*, p. 268. [p. 345, London edn.]

‡ *ibid.*, p. 270. [pp. 346-7, London edn.]

As we have already mentioned, we come here upon the problem of crises. We shall allow ourselves to make a few general preliminary theoretical observations by way of introduction which will set the question within its proper framework.

As is well known, the crises we are talking about here are *crises of over-production*.

Now, the following questions, which Marxism answers quite specifically, arise in this connexion:

1. PARTIAL OR GENERAL OVER-PRODUCTION

The question is whether a general over-production of commodities is possible, or only a partial one. The school of Ricardo and Say, proceeding from the premise of a simple exchange of commodity against commodity, denies the possibility of a general over-production. Marx demonstrates convincingly (in the second volume of *Capital* and in *Theories of Surplus Value*) the possibility of a general over-production. If we have, for example, an over-production of the most important means of consumption, it follows that there is also an over-production of means of production:

For . . . over-production of iron, etc., involves an exactly similar over-production of coal, as, say, the over-production of woven cloth does of yarn. . . . There cannot, therefore, be any question of the under-production of those articles whose over-production is implied because they enter as an element, raw material, auxiliary material or means of production into those articles . . . whose positive over-production is precisely the fact to be explained.*

Thus, one cannot (in the case before us) speak of an over-production of coal *in relation to iron*, etc., i.e. of relative over-production in one branch of production which, as Marx puts it, represents the 'preliminary stage' of a further branch of production where there is over-production. Still less can one speak of an under-production of coal in relation to iron, i.e. assert that too much iron has been produced because too little coal was produced, for an over-production of iron is impossible without a *corresponding* over-production of coal.

* *Theories of Surplus Value*, Vol. II, p. 530.

The further analysis of the problem leads us right up to those questions which we have already elucidated in connexion with the criticism of Tugan-Baranovsky's theory.

In fact, if we were dealing with a market that had emancipated itself from consumption and with a closed circle of the production of means of production in which the one branch of production serves the other and vice versa, in other words, if we were faced with a strange system of production such as that depicted in Tugan's fiery fantasy, then a *general* over-production would be impossible. We would simply have a swing before us: over-production of iron would mean under-production of coal; conversely, a general over-production, i.e. a *simultaneous* over-production of *both* coal *and* iron, would be as impossible as it would be for both ends of a swing to rise at the same time. We reach entirely different conclusions if we abide by Marx's theory, the *correct* theory, instead of Tugan-Baranovsky's theory. We then receive a chain of related branches of production, which mutually offer each other markets, and which obey a certain order determined by the technical-economic continuity of the process of production as a whole. This chain, however, *ends* with the production of means of consumption which no longer enter in material form, i.e. as use values, directly into any process of production but into the process of personal consumption. (For the moment, we shall ignore the fact that, with the working class, the process of consumption is a *process of the production of labour-power*; this will be discussed later. In the case before us we are interested solely in the two departments of the process of production which are dealt with in Marx's models.) As a result, one can indeed envisage a situation in which we have before us an over-production in all links of the chain which expresses itself in an over-production of means of consumption, i.e. in an over-production in relation to the *consumer market*, which can be precisely the expression of a *general* over-production.

Criticizing Say, who explains that demand is limited only by production, Marx comments:

This is very wise. It is certainly *limited* (by production). There can be no demand for something which *cannot* be produced on request or which demand does not find ready on the market. But because demand is limited by production, it does not follow in the least that production

is or was limited by demand and that it can never exceed demand, especially demand at the market-price.*

2. RELATIVE AND ABSOLUTE OVER-PRODUCTION

Furthermore, one must be aware of the fact that one can only be dealing with a *relative* over-production, i.e. with an over-production in relation to 'effective' demand, demand backed by ability to pay, but not in relation to the absolute social need. This is left completely unanalysed in the complex of questions now before us.

What after all has over-production to do with absolute needs? It is only concerned with demand that is backed by ability to pay. It is not a question of absolute over-production – over-production as such in relation to the absolute need or the desire to possess commodities. In this sense there is neither partial nor general over-production; and the one is not opposed to the other.†

At another place Marx expresses the same thoughts, in a different though no less precise form: 'The excess of commodities is always relative; in other words it is an excess at particular prices. The prices at which the commodities are then absorbed are ruinous for the producer or merchant.'‡

3. OVER-PRODUCTION OF COMMODITIES OR OVER-PRODUCTION OF CAPITAL

Ricardo's adherents, unlike Ricardo himself, certainly *recognized* an over-production of capital, but firmly denied an over-production of commodities. It is, however, obvious that there can be no over-production of *capital* if there can be no over-production of *commodities*. For what does production of capital mean? The process of the production of capital is clearly nothing other than the process of capitalist production; in other words, of the production of commodities under conditions of *capitalist* production, not under conditions of simple commodity production. The production of capital is, therefore, a production of *capitalistically* produced commodities. Hence, an over-production of capital is

* *op. cit.*, Vol. III [Kautsky edn.] (Solution of Ricardo's School. b.). Once again the author of the 'Inquiry', p. 139, footnote.

† *op. cit.*, Vol. II, p. 506.

‡ *ibid.*, p. 505.

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also an over-production of commodities. To admit an over-production of capital and to deny an over-production of commodities is to show that 'thoughtlessness, which admits the existence and necessity of a particular phenomenon when it is called *A*, but denies it as soon as it is called *B*'.*

4. TEMPORARY AND CONSTANT OVER-PRODUCTION

From the standpoint of our entire criticism of Luxemburg's position and that of the Narodniks, Sismondists and other confusionists, this point represents a cardinal problem. In this question, too, Marx's position is quite unequivocal. We have already spoken of this at the beginning of the chapter (and also of Lenin's position on this point). We will therefore be content with a final quote. In his discussion of the problem of general over-production, Marx says that the standpoint of an *only partial* over-production is merely 'a poor way out. In the first place, if we consider only the nature of the commodity, there is nothing to prevent *all commodities* from being superabundant on the market. . . . We are here *only concerned with the factor of crisis*.'†

In other words: a conflict between production and consumption, or, which amounts to the same thing, a general over-production, is nothing other than a crisis. This position is basically different from that held by Rosa Luxemburg, according to which over-production must manifest itself at all times in a purely capitalist society, since an expanded reproduction is absolutely impossible.

Thus, one can only speak of a *relative* over-production. However, from the standpoint of the absolute satisfaction of needs under capitalism, we are always dealing with an *under-production*. Not only a partial, but also a *general* over-production is possible; precisely this contains the conflict between production and consumption. This over-production is an over-production of capital, *hence* also an over-production of commodities. But this over-production is not a permanent phenomenon which can always be observed; rather it is the expression of crises. 'There are no permanent crises' (Marx).

* *op cit.*, p. 499.

† *ibid.*, p. 504. (My emphasis on the last words, N. B.)

If we separate off the most important points which concern us, we receive the following theoretical configuration:

I. *The apostles of harmony* (Say and Co.) and the *apologists*: There is never a general over-production.

II. *The Sismondists, Narodniks, Rosa Luxemburg*: A general over-production must *always* be present.

III. *The orthodox Marxists*: A general over-production is *sometimes* unavoidable (*periodic* crises).

Or, in a different connexion:

I. *Tugan-Baranovsky, Hilferding et al.*: Crises stem from the disproportion between the individual branches of production. The factor of consumption plays no role in this.*

II. *Marx, Lenin and the orthodox Marxists*: Crises stem from the disproportion of social production. The factor of consumption, however, forms a component part of this disproportionality.

We must now analyse these basic concepts in more detail.

We have already cited one of Rosa Luxemburg's arguments against Marx's models, the argument concerning the connexion between production and consumption. Rosa Luxemburg is of the opinion that Marx's model 'certainly admits crises (!), but does so exclusively to a lack of proportionality in production, *i.e.* (my emphasis, N. B.) to lack of social control over the process of production'. She immediately continues: '*On the other hand* (my emphasis, N. B.), it excludes the deep and fundamental contradiction between the ability of capitalist society to produce and its ability to consume . . . ' (see above). It is easily apparent that

* 'These models (Marx's models, N. B.), however, also demonstrate that in capitalist production reproduction can proceed without hindrance both on a simple and an expanded level, provided that these proportions are maintained. On the other hand, crisis can also occur in simple reproduction when the proportion is violated. . . . Hence, it does not follow that crisis must stem from the immanent under-consumption of the masses in capitalist production. . . . Similarly, the possibility of a general over-production of commodities does not follow from the models in themselves; rather, every extension of production which can in any way follow from the available productive forces is shown to be possible.' (Rudolf Hilferding, *Das Finanzkapital*, 2nd edn. (Vienna, 1920), p. 339. Our emphasis, N. B.) To be fair, we must note that even Mr Tugan admits a general over-production, although only 'as a peculiar expression of *partial* over-production, of unproportional distribution of social labour under relations of the money-economy' (*Periodic Industrial Crises*, p. 265).

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Comrade Rosa Luxemburg is *opposing* control over production to the relation of production to consumption, hence also disproportionality of production to disproportionality between production and consumption. This conception leads her to countless mistakes and incredible confusion.

Let us imagine three socio-economic formations: the *collective-capitalist social order* (state capitalism), in which the capitalist class is united in a unified trust and we are dealing with an organized, though at the same time, from the standpoint of the classes, antagonistic economy; then, the 'classical' *capitalist society*, which Marx analyses; and finally *socialist society*. Let us follow (1) the manner of the course of expanded reproduction; thus, the factors which make an 'accumulation' possible (we give the word 'accumulation' quotation marks, because the designation 'accumulation' by its very nature presupposes only capitalist relations); (2) how, where and when crises can arise.

1. *State capitalism*. Is an accumulation possible here? Of course. The constant capital grows, because the capitalists' consumption grows. New branches of production, corresponding to new needs, are continually arising. Even though there are certain limits to it, the workers' consumption increases. Notwithstanding this 'under-consumption' of the masses, no crisis can arise, since mutual demand of all branches of production, and likewise consumer demand, that of the capitalists as well as of the workers, are given from the start. Instead of an 'anarchy of production' – a plan that is rational from the standpoint of *Capital*. If there is a 'miscalculation' in means of production, the surplus is stored, and a corresponding correction will be made in the following period of production. If, on the other hand, there has been a 'miscalculation' in means of consumption for the workers, this excess is used as 'fodder' by distributing it amongst the workers, or the respective portion of the product will be destroyed. Even in the case of a miscalculation in the production of luxury articles, the 'way out' is clear. Thus, *no* crisis of over-production can occur *here*. The capitalist's consumption constitutes the incentive for production and the plan of production. Hence, there is no *particularly* fast development of production (small number of capitalists).

2. '*Classical*' *capitalism*. We have already seen in the previous

chapters how accumulation is possible. In contrast to the case we have just dealt with, here there is an 'anarchy of production', a money connexion through the market, the form of the wage, etc. If we take an 'ideal average', the solution of the task takes place in the same way as in the first case. (Growth of the constant capital, growth – in values – of the consumption of workers and capitalists.) As opposed to the first case, the 'ideal average' is merely a certain tendency here, which manifests itself in the contradictory and blind course of economic processes. On the other hand, the form of the purchase or sale and the separation of sale from purchase (in contrast to exchange of product against product) is itself a condition of the disturbance of social reproduction. This has the following results:

Firstly, a proportionality between the branches of production cannot exist empirically. It takes effect merely as a tendency; in other words, by way of continual disturbances in the proportionality.

Secondly, these disturbances unavoidably bring about difficulties in the process of social reproduction, because the connexion between the branches of production is effected through money and market.

Thirdly, a disproportionality between production as a whole and social consumption can exist, as a result of the disproportionality between the production of means of consumption and the effective demand for means of consumption. (Demand here is not given *a priori* as a planned demand; the whole relation only results *post factum*.)

Fourthly, this disproportionality unavoidably brings about a disturbance in the process of social reproduction, as a result of the money and market connexion. (The surplus cannot be expended as 'fodder' for the workers here, as in the first case.)

Fifthly, this capitalism is continually promoting the tendency to develop production quickly on the one hand (existence of competition, which is lacking in the first case), and to depress the wage on the other (pressure of the reserve army). In other words: it is the tendency of capitalism *to push production beyond the limits of consumption*. For this kind of disproportionality only appears if an over-production of means of production has taken place and manifested itself externally as an over-production of means of

consumption. Everything can proceed relatively smoothly until this phenomenon occurs, since the 'surplus' wave of expansion bypasses those intermediary links in production, in which no conflict can as yet take place with personal consumption. On the other hand, this does not mean that an accumulation is impossible. For the point here is not *merely* that more is produced, but that more is *not* produced *in the relevant proportion*. In contrast to Rosa Luxemburg's assertion, it is not impossible to realize the surplus value. Under certain conditions, however, it does become impossible; we are then dealing with a crisis. '... that is, *reproduction on too large a scale*, which is the same as over-production pure and simple.'*

This is the situation in 'classical' capitalist society. We now turn to socialist society.

3. *Socialist society*. If we take the 'pure type' of socialist society, there are no crises; the share of means of production, however, will increase even faster than under capitalist rule, since the machine is introduced here under relations in which it would be meaningless in capitalism.

Precisely for that reason, however, the needs of the broad masses of the entire society are satisfied much better than in the cases of the previously mentioned socio-economic formations.

On this basis, it is now easy to estimate how far Comrade Rosa Luxemburg is from the truth. In dealing with an anti-Malthusian pamphlet, Marx writes:

The following is implied here: (1) *capitalist production*, in which the production of each individual sphere of production and its increase is not directly controlled and determined by the needs of society, but by the productive forces available to each individual capitalist independent of the needs of society. (2) It is implied that, nonetheless, production takes place *in such proportions*, as if capital were applied directly by society into the various spheres of production, according to its needs.

Under this implication (*contradictio in adjecto*), *over-production could not in fact take place* if capitalist production were absolutely socialist production.†

In other words: if there were a planned economy, there could be no crisis of over-production. Marx's thoughts are quite clear

* Marx, *Theories of Surplus Value*, Vol. II, p. 533.

† *op. cit.*, Vol. III, p. 137 [Kautsky edn.].

here: the overcoming of anarchy, i.e. planning, is not *opposed* to the liquidation of the contradiction between production and consumption as a *particular* factor; it is portrayed as containing this liquidation. In Rosa Luxemburg, however, we find – as can be seen from the passage cited above dealing with the models in the second volume of *Capital* – a ‘lack of proportionality in production, i.e. of social control over the process of production’ on the one hand, and ‘the deep and fundamental contradiction between the ability of capitalist society to produce and its ability to consume’ on the other. And Rosa Luxemburg claims that the models in the second volume admitted crises but due exclusively to lack of proportionality in production, i.e. to lack of social control over the process of production. Rosa Luxemburg directly *opposes* another factor to this one. As we have seen, her thoughts are formulated precisely. Following the sentence cited, she writes: ‘*On the other hand*, it (the model in the second volume, N. B.) excludes the deep and fundamental contradiction . . .’ etc. There can be no *more exact* formulation, no clearer expression, of a blatantly *incorrect* position.

It follows from Rosa Luxemburg’s viewpoint that crises will also occur in a planned economy, given the existence of ‘under-consumption of the masses’. In other words, according to Rosa Luxemburg, crises are obligatory for our hypothetical state-capitalist society. We, on the other hand, have demonstrated that there can be no crises.* But that is not so difficult to understand. In fact, where is the planlessness of the economy, its anarchy, expressed? In the fact that there is no proportionality between the individual *branches* of production and the scale of production and the scale of *personal* consumption. This is precisely why Marx speaks about the proportioned application of capital (1) ‘in the various spheres of production’, and (2) ‘according to its [society’s, Trans.] needs’. *Both* factors belong to the concept of the proportionality of social production. Or, to express it in more popular terms: let us assume that we had a complete proportionality in every branch of production, in the sense of their unilateral connexion in one direction: from means of production to means of

* The intelligent reader will not, of course, have forgotten that we are dealing with abstract ‘ideal types’ of social formations, and not with empirically given social orders.

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consumption. Let the entire social production be represented by the series: coal, iron, machines, cloth, so that the production of coal would correspond exactly to the amount which could be consumed by the production of iron, as much iron as would be needed by the production of machines, and so on through the entire chain of branches of production. Would we then have a guarantee against the occurrence of a crisis? No. For it can happen that more cloth is produced than is used and, as a result, also more machines, iron and coal than is necessary. In other words: *the disproportionality of the entire social production consists, not only in the disproportionality between the branches of production, but also in the disproportionality between production and personal consumption.* Or, to use Lenin's words:

... 'The consumer power of society' and the 'proportional relation of the various branches of production' – these are not conditions that are isolated, independent of, and unconnected with, each other. On the contrary, a definite condition of consumption is one of the elements of proportionality. In actual fact, the analysis of realization showed that the formation of a home market for capitalism owes less to articles of consumption than to means of production. From this it follows that Dept I of social production (the production of means of production) can and must develop more rapidly than Dept II (the production of articles of consumption). Obviously, it does not follow from this that the production of means of production can develop *in complete independence* of the production of articles of consumption and *outside of all connexion with it*.*

Let us look at the same question from a somewhat different angle. We assumed a proportionality among the various branches of production, in *one* direction, from coal to cloth, as we expressed it. However, the opposite direction, from cloth to coal, is of equal importance for the course of social reproduction. Even cloth wants to be *sold*, so that it can be replaced by a machine, etc. Let us once again present the formula for social reproduction: when the entire social production is divided into two, i.e. divided into the production of means of production and the production of means of consumption, the concrete-material parts of the product

* V. I. Lenin, 'A Note on the Question of the Market Theory', *Collected Works* (Foreign Language Printing House, Moscow), Vol. 4, pp. 58-9 (emphasis in original).

must *mutually exchange places* in a specific relationship. But the proceedings are not limited to the mere migration of products from the upper floor (production of means of production) to the lower (production of means of consumption). Rather, there must also be a migration from the lower floor to the upper one, and moreover, in a specific and strictly defined relationship.

Here, we must mention our formulae once again:

$$\begin{array}{l} \text{I} \quad \boxed{c_1 + v_1 + \alpha_1} + \beta_{1c} + \boxed{\beta_{1v}} \\ \text{II} \quad \boxed{c_2 + v_2 + \alpha_2} + \boxed{\beta_{2c}} + \beta_{2v} \end{array}$$

From this, as we know, follows the basic condition of the process of reproduction, which is expressed in the equation:

$$c_2 + \beta_{2c} = v_1 + \alpha_1 + \beta_{1v}$$

or, which amounts to the same thing:

$$v_1 + \beta_{1v} = c_2 + \beta_{2c} - \alpha_1$$

Thus, if $c_2 + \beta_{2c} - \alpha_1 > v_1 + \beta_{1v}$, in other words, will be greater than the future variable capital in the production of means of production, we are dealing with an over-production of means of consumption. However, the entire mechanism of reproduction also has another side to it, which is much more directly related to the problem before us. It is this: we have seen from the analysis of social reproduction that the replacement of the concrete-material elements takes place in various ways. Means of production take their places by means of acts of exchange *between the capitalists*. Means of consumption, on the other hand, in as much as they represent an element of the variable capital, are directed to their places through acts of the purchase of labour-power by the capitalists and the purchase of means of consumption *by the workers*. Reproduction is impossible without this. Reproduction is inconceivable in the absence of those acts in which the worker sells his labour-power and buys means of consumption. The models in the second volume of *Capital* do not exclude these acts of purchase (as may seem to be the case if one pays attention to Rosa Luxemburg's explanations); on the contrary, they explicitly *presuppose* them.

Therefore:

Firstly, a correct proportion between the workers' means of

consumption and the other parts of the total social product is an essential requirement for the smooth running of social reproduction.

Secondly, the amount of the value of the entire labour power, or the sum of the wages paid to all workers, including the additional workers of the new productive cycle, must be equal to the value of the workers' means of consumption. Let us give this amount the symbol V ; we then receive:

$$V = (v_1 + \beta_{1v}) + (v_2 + \beta_{2v})$$

This equality, however, is not a reflection of a pre-established harmony. This harmony does not exist in reality, due to the contradictory tendencies of capitalism (the tendency to increase production, but decrease wages), which arise spontaneously. Thus, the dynamic of capitalism leads to:

$$V < (v_1 + \beta_{1v}) + (v_2 + \beta_{2v})$$

in other words, to a disproportionality between production and consumption. It is obvious that, in the production of means of production, for instance, the level of the wage is not determined by a calculation of the values which will be produced in the production of means of consumption for the workers. Similarly, the extent of this production is determined by the level of demand, which simply cannot be calculated. Consequently, one should not differentiate between the disproportionality of the masses' production and consumption, and the *general disproportionality of the process of production*.

It must be noted here that this conclusion becomes much more important if one visualizes the entire mechanism of the process of reproduction in its totality.

Apologetic economists denied crises, amongst other things, on account of a 'metaphysical equilibrium between buyers and sellers', consumers and producers. Marx comments:

Thus nothing is more absurd as a means of denying crises than the assertion that the consumers (buyers) and producers (sellers) are identical in capitalist production. They are entirely different categories. In so far as the reproduction process takes place, this identity can be asserted only for one out of 3,000 producers, namely the capitalist. On the other hand, it is equally wrong to say that the consumers are

producers. The landlord does not produce (rent), and yet he consumes. The same applies to all monied interests.*

In other words, Marx is indicating the *special* role of the *worker* in the circulation process. The workers do not buy means of production, although they consume them productively, for they do not consume them for themselves. *The workers sell a commodity, but not the one which they produce in the factories.* What has all this to do with reproduction?

Firstly, we must be aware that capitalist circulation differs from simple commodity circulation in that, amongst other things, *labour-power*, containing use value and exchange value, figures in the commodities circulating on the market. But that means that, seen socially, i.e. from the point of view of social reproduction as a whole, labour-power is produced *as a commodity* in capitalist society.

On the other hand, we know that the 'real' form of capital, its productive form, seen from the concrete-material point of view, not from that of its value, represents a relation of means of production with *living labour-power*, not, however, with means of consumption. In this respect, means of consumption appear, to a certain extent, as a mediating link. In their natural state they cannot form a component part of functioning productive capital; their value must inevitably be converted into the value of labour-power, whose natural form corresponds to the natural form of means of production. Thus, means of production and *labour-power* are the forms of productive capital. At the same time, this corresponds, in the circulation process, to the movement of labour-power on the *commodity market*. But what does it correspond to in the sphere of production of the given commodity? We have seen that the production of means of consumption for the workers is the *indirect* production of labour-power or, to be more exact, the precondition of this production. It is, however, the *process of personal consumption* which constitutes the *direct* process of the production of labour-power. Seen from the social point of view, the process of the working class's consumption is *the process of the production* of labour-power. It follows without further ado that the disproportionality between production and consumption also represents a disproportionality of production

* *Theories of Surplus Value*, Vol. II, p. 519.

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in a more direct and exact form, namely, in the form of a disproportionality *between the production of means of consumption and the production of labour-power*.

When analysing crises, one does not normally take the time to examine the fact that labour-power is also a commodity. And this despite the fact that, as we have already explained, we are dealing with a specific characteristic of *capitalist* exchange and the *capitalist* mode of production. Once labour-power has entered into commodity circulation, the contradictions inherent in commodity production must also appear here in a complicated form. The contradiction between the use value of the commodity and its exchange value appears here in the shape of the contradiction between the production of surplus value, which strives for boundless expansion, and the limited purchasing power of the masses, who are realizing the value of their labour-power. This contradiction finds its solution in crises.

Let us now return to the main thread of the argument. At the end of the theoretical part of his treatise on crises, Mr Tugan-Baranovsky writes:

If production were organized according to a plan, the market would possess a complete *knowledge* of demand, and the *power* to make a proportioned division of production, to transfer labour and capital freely from one branch of industry to another, and thus the supply of commodities could never exceed demand, however much consumption might fall.*

This statement is absolutely correct, although one must criticize the terminology ('market', 'commodity', etc., in organized production). It is unfortunate for Tugan-Baranovsky that this correct statement stands in complete contradiction to his entire theory. It would appear to be useful to analyse him critically, since such an analysis will allow a still more specific conception of the solution to the problem.

According to Tugan-Baranovsky, *knowledge of demand* belongs to the concept of planned production. What does this mean?

Demand is by no means a simple concept. It covers demand for coal, demand for machines, demand for iron, etc., in a word, demand for *means of production*. It also includes demand for

* *Periodic Industrial Crisis*, pp. 281-2.

bread, demand for textiles, demand for *means of consumption*. To the extent that we are dealing with an antagonistic (class) social order, 'knowledge of demand' presupposes not only knowledge of the demand for means of production, but also knowledge of consumer demand from workers and capitalists. There will be no crisis. Amongst other reasons, it will not take place because the *mutual dependence of production and consumption* is known and given; thus, there takes place precisely what Tugan-Baranovsky denies theoretically, once this learned man constructs a market theory with the aid of ill-digested fragments of Marx's analysis. Tugan's error, however, illuminates the statement that the 'level of consumption' is an element in the proportionality of products even more brilliantly. In fact, let us take a somewhat closer look at the structure of the mutual relation of the various branches of production.

Below a series of branches of production, the production of 'provisions, clothing and housing' stands closest to consumption. Each of these sub-divisions falls into a huge number of further independent branches of production. Related to this series of branches of production, there is a series of means of production industries, which fall, horizontally and vertically, into countless branches of production, according both to their relation in the manufacture of their products to various means of consumption, and also to the mutual connexions of the means of production. Tugan-Baranovsky reaches the paradoxical conclusion that 'production is independent of consumption', but only because he analyses the connexion in only one sphere: in the sphere of the mutual connexions of the various industries in the area of the production of means of production. Firstly, he overlooks the proportions between the production of means of production and the production of means of consumption (we have already dealt with that); secondly, he completely avoids the question of the *proportions between the various branches of production in the production of means of consumption*, which seems particularly strange from an adherent of the marginal utility theory. When all these connexions are taken into consideration, the following result seems entirely plausible:

A change in consumer demand will inevitably change (1) the proportions between the individual branches of production in the

production of means of consumption, and (2) as a result of the connexion between the two fundamental branches of social production, the proportions between the various branches of production in the production of means of production. In other words, a change in the consumer budget of society inevitably leads to a restructuring among the different spheres of social labour. The fact that this change is caused by a change in production does not alter the matter itself.

That proves that the 'element of consumption' is not an independent factor (an error committed by Tugan and Rosa Luxemburg, even though they both arrive at diametrically opposite conclusions), but one element of the total proportionality or disproportionality of social production.

After what we have already said, it is no longer difficult to expose the methodological roots of Rosa Luxemburg's error. The organism of capitalist production is a 'unity of contradictions'. The apologists only see the unity. 'Thus the apologists', wrote Marx, 'consist in the falsification of the simplest economic relations, and particularly in clinging to the concept of unity in the face of contradiction.'*

In another place Marx gives a splendid summary of these apologetic exercises, again in connexion with the theory of crises. He writes:

Sale and purchase are separate (in reality, N. B.), commodity from money, use value from exchange value. But it is assumed (by bourgeois scholars, N. B.) that this division does not take place but exchange trade. Consumption and production are separate; there are producers who do not consume as much as they produce, and there are consumers who do not produce. But it is assumed that production and consumption are identical. The capitalist produces directly to increase his profit for the sake of the exchange value, not for consumption. It is assumed that he produces directly and exclusively for pleasure. Assuming that the existing contradictions of bourgeois production – which indeed balance out, a process of adjustment which appears at the same time as crisis, forced composition of the factors, divided, indifferent towards each other, yet belonging together – so these contradictions cannot be exploited. In every branch of industry every individual capitalist

* *Theories of Surplus Value*, Vol. II, p. 500.

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produces in relation to his capital, regardless of the needs of society. . . . It is assumed that he produces as if he produced by order of society.*

Comrade Rosa Luxemburg very clearly sees this mistake of the apologists. But there are other mistakes. Not only the contradictions, but also the unity, has to be seen. This unity is fully manifested during the crises, while according to Rosa Luxemburg this unity is altogether impossible. In other words: Rosa Luxemburg seeks for superficial, formally logical contradictions in capitalism, which are not dynamic, do not adjust to each other, are not elements of a contradictory unity, but patently deny this unity. But in reality we find dialectic contradictions of a whole, periodically adjusting to each other, constantly reproducing, to blow up the entire capitalist system at a certain stage of development, i.e. destroying the previous unity with the system itself.

* *op. cit.*, Vol. III, p. 140, footnote.

4. THE ECONOMIC ROOTS OF IMPERIALISM

So far, our critique has shown that Comrade Luxemburg was wrong in every stage of her analysis of the process of reproduction; not only in her treatment of the abstract preconditions (i.e. the process of extended reproduction abstracted from the money factor) but also in her successive concretization of the problem (even under the conditions of an abstract capitalist society in general), i.e. taking into account the money factor and the analysis of crises. We thus have to turn to an even more concrete investigation, i.e. go beyond the frame of an abstract capitalist society and illuminate the problem of the relation of the economic circle of capitalism to its non-capitalist periphery. Yet first we have to pay attention to the methodological deductions which Rosa Luxemburg arrived at as a result of her assertions. The analysis of these 'deductions' will simplify the question we have just indicated. We give the floor to Rosa Luxemburg:

There is no doubt that the explanation for the economic roots of imperialism must be deduced from the laws of capital accumulation, since, according to common empirical knowledge, imperialism as a whole is nothing but a specific method of accumulation. But how is that possible, if one does not question (!) Marx's assumptions in the second volume of *Capital* which are constructed for a society in which capitalist production is the only form, where the entire population consists solely of capitalists and wage labourers?

However one defines the inner economic mechanisms of imperialism, one thing is obvious and common knowledge; the expansion of the rule of capital from the old capitalist countries to new areas, and the economic and political competition of those countries for the new parts of the world. But Marx assumes, as we have seen in the second volume of *Capital*, that the whole world is one capitalist nation, that all other forms of economy and society have already disappeared. How can one explain imperialism in a society where there is no longer any space for it?

It was at this point I believed I had to start my critique (i.e. not on the question, but on Marx, N. B.). The theoretical assumption of a

society of capitalists and workers only – which is legitimate for certain aims of investigation (as in the first volume of *Capital*, the analysis of individual capital and its practice of exploitations in the factory) – *does not seem adequate when we deal with the accumulation of gross social capital*. (My emphasis, N. B.) As this represents the real historical process of capitalist development, it seems impossible to me to understand it if one abstracts it from all (?! N. B.) conditions of historical reality. Capital accumulation as the historical process develops in an environment of various pre-capitalist formations, in a constant political struggle and in reciprocal economic relations. How can one capture this process in a bloodless theoretical fiction, which declares this whole context, the struggle and the relations to be non-existent.*

This quotation, as one can see, represents on the one hand a certain theoretical résumé, on the other hand it gives the key to unlock further problems; it shows much more moral indignation than logical persuasive power. We could well say that we are faced here with an example of a certain basic lack of understanding of Marx's abstract theoretical method – its meaning, its limitations and (at the same time) its correctness. However, a closer analysis of this point *now* will enable us to understand more easily some of her subsequent arguments. Thus let us investigate the sentences quoted from Rosa Luxemburg.

First. To start with, Rosa Luxemburg's assumption, according to which in the first volume of *Capital* the 'individual capital' (!), i.e. the individual unit of capital, the individual factory and the individual capitalist, is analysed, is wrong. In Marx we find nothing of that sort. In as far as he does use such *examples*, the capitalist appears as the incarnation of capital. Essentially, the objective 'social' method of looking at economic phenomena is no less characteristic for the first volume than for all the other volumes of *Capital*. The first volume deals with the production of *social* capital, the second with the *circulation* of the social capital, the third with the 'total process', i.e. the total movement of the *social* capital.

Second. It follows from that that the distinction of methods of investigation, as recommended by Rosa Luxemburg, is totally unacceptable. Indeed, Rosa Luxemburg herself puts the question of *reproduction* at the centre. But once this question is raised, the

* Luxemburg, *Anti-Critique*, pp. 61-2.

question of *production* is raised as well, for reproduction beyond or without production is absurd. If the process of accumulation, and consequently the process of extended reproduction, cannot be analysed outside the context of the non-capitalist milieu, it is ridiculous to believe that one could leave this context out of consideration when analysing the process of the production of capital. The 'total process' would look nice, if out of the process of production the entire non-capitalist economic sphere would be eliminated, while in the process of circulation values are taken into account which originate from just this sphere. Such a detachment of production from circulation radically contradicts the concept of reproduction.

Third. The above is confirmed by further conclusions from the author of the *Accumulation*. Accumulation, she says, is a real historical process and one should not abstract from all the historical conditions of this process. But nobody suggests abstracting from all the historical conditions. To leave all historical conditions out of consideration means also to abstract from the capitalist mode of production, as is actually done by the bourgeois political economists. But it is another matter to abstract from the non-capitalist 'third persons'. Let us suppose that the capitalist textile industry sells its goods to small producers. If these small producers buy, they have to sell. Let us assume further that they sell cotton, i.e. raw material for the textile industry. Does it not seem obvious, then, that if we are not allowed to abstract from the small producers, as Rosa Luxemburg suggests, then we are not allowed to use this abstraction in the investigation of production? If one has to sell woven cloth to the small producers in the 'real process', one also has to buy cotton from them in order to produce woven cloth. So either one must not abstract from the 'third persons', in which case neither must one do it in the analysis of capital production, or one is allowed to, in which case one can also do it in the analysis of the process of accumulation. The dualism of the method leads to an absurdity, as we have shown.

Fourth. Such an abstraction is totally justified. Of course, not only does capitalist accumulation detached from production take place in the midst of a non-capitalist milieu, but the whole mechanism of capitalist production is constantly and in many different ways concretely linked to the non-capitalist milieu. Yet

this is by no means an argument against such an abstraction.* One has to know that the abstract theory is a 'key' to the knowledge of reality and one has to know how to handle it. 'In reality' we see that value and price are never equal, supply and demand are not congruent, the working class does not receive the full value of its labour-power, etc., etc. Nevertheless, the abstraction of the theory allows us to move closer to the solution of the most concrete problems, as long as those using these abstractions are conscious of the fact, that between the abstractions and their applications to empirical reality there are a whole lot of logical steps, which under no circumstances may be omitted.

Fifth. What has just been said already contains the answer to the 'tricky' question raised with several variations by Rosa Luxemburg, as to how one can explain colonial robbery in a society in which there is no room for colonies. In other words: how can one explain things which are excluded *a priori* from an analysis? Such an undertaking equals the attempt to answer the well-known 'philosophical' question of the smell of the 'unsmelled' rose.

Is the argumentation of our critic convincing in this point at least? Not in the slightest.

Indeed, to explain the mutual relation between capitalist and non-capitalist milieu, one has of course to include this non-capitalist milieu in the investigation. Marx did not raise this problem in *Capital*. To find a solution we have to move even closer to the concrete. Any analysis of the relation between the capitalist world and the 'third persons' has to be more concrete than the theoretical constructions of *Capital*.

That again does not at all contradict the statement that the abstract theory of Marx also indicates a solution to this problem. (We will see later on how he does this.) Furthermore, it is no argument in favour of the dependability of an explanation of concrete reality and the constant empirical co-existence of capitalists and 'third persons', nor of capitalist expansion with the aid

* Mentioned as an aside, Rosa Luxemburg claims in her *Anti-Critique* that Marx never deals with an 'isolated' capitalist society, but indicates the real tendency of capitalism towards universal rule. This confrontation is logically inadmissible. Also the statement that Marx never deals with an 'isolated society' is factually wrong. We remind ourselves of the following: 'To simplify the question, we abstract from external trade and investigate a secluded nation' (*Theories of Surplus Value*, Vol. II, p. 244).

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of incorrect *theoretical arguments*, like the statement of the impossibility of accumulation without the existence of a non-capitalist milieu.

Here we get to the heart of the matter. But first Comrade Luxemburg has an unexpected surprise for us. She claims that if one refuses her theory of the impossibility of accumulation in a pure capitalist sphere, one is not allowed to talk about *any* relation between capitalism and third persons whatsoever. This she documents by using the not all that appropriate form of observations on foreign trade (not appropriate, we mean, since the term foreign trade does not necessarily indicate a difference in the mode of production).

Comrade Rosa Luxemburg writes:

A picture of reproduction like the above (she is talking about Bulgakov, N. B.) in fact has no room for foreign commerce. If capitalism forms a 'closed circle' in every country from the very beginning (!? N. B.), if, chasing its tail like a puppy and in complete 'self sufficiency', it is able of itself to create an unlimited market for its products and can spur itself on to ever greater expansion, then every capitalist country as such must also be a closed and self-sufficient economic whole. In but a single aspect would foreign commerce appear reasonable: to compensate by imports from abroad for certain deficiencies due to the soil and the climate, i.e. the import of raw materials or food-stuffs from sheer necessity. . . . International traffic of commodities does not here seem to flow from the character of the mode of production but from the natural conditions of the countries concerned. This theory at any rate has not been borrowed from Marx but from the economic experts of the German bourgeoisie.*

If one accordingly leaves the *natural condition of the international division of labour* out of consideration (how can that happen without sinning against the Holy Ghost of the 'concrete historical process'?) the 'external trade' (better: exchange with the non-

* Luxemburg, *Accumulation*, pp. 234-5. Footnote: as far as the last sentence is concerned, which contains an incorrect confrontation, we have to mention the following by Marx: 'Different communities find different means of production and different means of subsistence in their natural environment. Their way of production, way of living and products are thus different. It is this natural difference which causes the exchange of the products . . .' (*Capital*, Vol. I, p. 316).

capitalist milieu) remains inexplicable. This is a thesis of Rosa Luxemburg. This thesis is meant to have destructive force. But as is commonly known, nothing is eaten as hot as it is cooked. Let us investigate Rosa Luxemburg's 'crushing' proof. First, we again have to remove the confusion created by the author of the *Accumulation* because of her inability to adopt a correct attitude towards the methodological question of the relation between the abstract theoretical and the concrete historical. An 'isolated', 'abstract', 'purely capitalist' society has never and nowhere existed and could nowhere exist – everyone knows that. Therefore, when Rosa Luxemburg writes: 'When capitalism forms this "closed cycle" in every country at the very beginning of its development', etc. – then she completely misses the point, as nobody claimed that capitalism has anywhere, or even in 'every country' and especially 'at the very beginning of its development', fried in its own fat, practised celibacy and had no sinful intercourse with non-capitalist producers. On the contrary, it has *everywhere* and *all the time* extended its influence into the non-capitalist periphery, has constantly raped them for its greater glory.

What is all the fuss about? Why introduce all these 'ifs', which have no value, as everyone sees? But what is the real cause of capitalist expansion?

Firstly, it lies in the difficulties which result, if not from an absolute and constant over-production, then nonetheless from crises, including all their consequences.

Secondly (incomparably more important, as it is a permanent factor), it rests in the possibility of acquiring a larger profit from the outside.

As regards the first cause, it hardly needs lengthy explanations. If we have for instance a temporary over-production (crisis) with the simultaneous existence of an 'additional' market, the stream of commodities will of course rush to the latter, an additional expansion of the market will follow on the basis of new economic contexts, etc. Obviously, this will not in the least shake the thesis of the possibility of accumulation in a purely capitalist society. If there was no additional market, that fact alone could not destroy the foundations of the existence of capitalism. The same would still be quite 'conceivable'. But if such a market exists, the

concrete development necessarily leads towards the least resistance; without that it is quite inconceivable.

As far as the second cause is concerned, things here are already more complicated, and so we are forced to investigate this question more closely – although Marx has already dealt with it explicitly. One wonders at Rosa Luxemburg overlooking that.

Say, in his annotations to Ricardo's translation by Constancio, makes only one correct statement on *foreign commerce*. Profit can only be made through swindle, the one wins, while the other loses. Loss and profit balance out within *one* country, but not among different countries. And even looking at Ricardo's theory – Say does not realize – (from the point of view of this theory, N. B.) three work days of one country can be exchanged for one of another. The law of value is here essentially modified. Or, as within one country qualified complicated labour relates to unqualified simple labour, thus could the work days of different countries relate. *In this case the richer country exploits the poorer*, even if the latter gains through the exchange, as John Stuart Mill too has laid out in *Some Unsettled Question*, etc.*

So, even when the 'poorer' country gains from the exchange, the 'richer' country has a surplus profit.

Marx formulates the same idea even more accurately in *Capital*:

Capitals invested in *foreign trade* can yield a *higher rate of profit*, because in the first place, there is competition with commodities produced in other countries with inferior production facilities, so that the more advanced country sells its goods above their value even though cheaper than the competing countries. In so far as the labour of the more advanced country is here realized as labour of a higher specific weight, the rate of profit rises, because labour which has not been paid as being of a higher quality is sold as such. The same may obtain in relation to the country to which commodities are exported and to that from which commodities are imported; namely, the latter may offer more materialized labour *in kind* than it receives, and yet thereby receive commodities cheaper than it could produce them. Just as a manufacturer who employs a new invention before it becomes generally used under-sells his competitors and yet sells his commodity above its individual value, that is, realizes the specifically higher productiveness of the labour he employs as surplus-labour. *He thus secures a surplus-profit*. As

* *Theories of Surplus Value*, Vol. III, pp. 279–80. (My emphasis in last sentence, N. B.)

concerns capitals invested in colonies, etc., on the other hand, they may yield higher rates of profit for the simple reason that the rate of profit *is higher* there due to backward development, *and likewise the exploitation of labour, because of the use of slaves, coolies, etc.* Why should these higher rates of profit, realized by capitals invested in certain lines and sent home by them, not enter into the equalization of the general rate of profit and thus tend, *pro tanto*, to raise it, unless it is the monopolies that stand in the way?*

Finally, to quote a passage which is also mentioned by Rosa Luxemburg where, strangely enough, she does not realize that this quote radically contradicts her theory. Yet in this case it is not about commodities, but capital, not about the export of commodities, but of capital. But as we have already shown in the case of the analysis of reproduction, this difference is immaterial, especially from the standpoint of the question before us. (It is material from other points of view, but that is not important at the moment.)

What does Marx say about export of capital:

‘If capital is sent abroad, this is not done because it absolutely could not be applied at home, but *because it can be employed at a higher rate of profit* in a foreign country.’†

Consequently: (1) if it is an occasional exchange trade capital gains a *surplus profit*, using all means, including deceit, violence and robbery; (2) if foreign exchange becomes a regular occurrence, the country with a *higher* structure inevitably gains a *surplus profit* [because of the productivity differential, Ed.]; (3) if capital is exported, that too happens in order to gain *additional profit*.

One has to wonder that Comrade Rosa Luxemburg, having so accurately posed the problem of profit as a specific category of capitalist society, remains deaf and blind towards this problem at other places in her work, and especially there where that problem should have been *stressed*. Has not the saying – profit, profit and profit again form the ‘goal’ and ‘driving force’ of capitalism – become a commonplace? How can one then *neglect* the question of the amount of profit when analysing the movement of commodities and capital from one country to another?

* *ibid.*, pp. 232–3.

† *ibid.*, p. 251. (Also quoted in my work, *World Economy and Imperialism* where this question is dealt with explicitly, N. B.)

We see that the strict critic of Marx in this question has overlooked one of Marx's most essential sentences. Therefore Rosa Luxemburg claims wrongly to have solved the problem according to the spirit of Marx's system. This is just not true. Her solution contradicts the 'letter' as well as the 'spirit' of Marx's teaching. In this point, she has – quite unnoticed by herself – slipped down to the petty-bourgeois conception of the populists.

Here we face one of the most important and interesting general questions, which is essential from the point of view of judging Rosa Luxemburg's theory.

The reader will have noticed how strangely Rosa Luxemburg formulates the question of the economic roots of capital expansion. As she overlooks the factor of the search for *larger profits*, she reduces everything to the bare formula of the *possibility of realization*. Why does capital need a non-capitalist milieu? To realize the surplus value that cannot be realized within the capitalist economic sphere. In this way, the problem of realization is separated from the problem of larger profits, thus from the question of the *exploitation* of non-capitalist economic forms. A strange theoretical contradiction: Rosa Luxemburg, wanting to be ultra-revolutionary and giving indeed a brilliant and masterful description of colonial exploitation, offers a theory that, as far as the theoretical nucleus of the matter is concerned, obscures and weakens capitalist reality. Comrade Luxemburg describes this reality excellently. She composes an extremely lucid picture of the merciless destruction of the 'third persons' to add to the glory of capitalist civilization. She sums up this side of accumulation with the following words:

Its predominant methods are colonial policy, an international loan system – a policy of spheres of interest – and war. Force, fraud, oppression, looting are openly displayed without any attempt at concealment, and it requires an effort to discover within this tangle of political violence and contests of power the stern laws of the economic process.*

Splendid! What a pity, though, that Comrade Rosa Luxemburg does not search for the 'stern laws of the economic process' where they can be found.

Indeed, which *basic* tendency do we assume for the exchange

* Luxemburg, *Accumulation* [p. 452, London edn.].

relationship between capitalist and non-capitalist sphere, if we come down from the 'heights' of the abstraction of *Capital* and incorporate the 'third persons' in our analysis? There can only be one answer: the tendency to absorb non-capitalist spheres, to make them disappear.

What is this process *linked to*? Of course, to the *exploitation* of these forms by capital. This exploitation again is connected with *gaining increased profits* – that is the 'soul' and the 'driving force' of capitalist economy. Increased profit, exploitation, destruction and decay form the links of the real relation between the capitalist sphere and the non-capitalist milieu, in so far as we wish to stress the basic, essential and common mechanism of this relation. In this reside 'the stern laws of the economic process'.

And for Rosa Luxemburg?

Well, there the 'stern laws' – unfortunately – do not fit the stormy and powerful reality. Instead of stressing *the exploitation, the surplus profit et al.*, Rosa Luxemburg stresses the bare formula of *realization*. Of course, additional profit is impossible without realization. The gaining of extra profit means realization. Yet the essential economic fact is that we are not faced with *any* realization, but the realization of *extra profit*. That is the specific point of the phenomenon of capital expansion. Whoever does not understand this, will – whether he wants to or not – gloss over the faults of reality. He will therefore not be able to explain the real *facts*, however much he may stress them while describing the matter. Rosa Luxemburg exhibits such a paradox.

Let us take a closer look at the matter.

How does the author of the *Accumulation* describe the mechanisms of the exchange relation between capitalist and non-capitalist milieu? As follows: the capitalists are not able to realize the surplus value, which is to be accumulated within the capitalist sphere, since it cannot be bought by either the workers or the capitalists. This part of the value is sold to the 'third persons'. The capitalists deliver means of production and consumption, receive money and use it to buy raw materials from the 'third persons'. So the capitalists can accumulate and produce, the 'third persons' can produce. They have exchanged equivalents. The realization, i.e. the conversion of a natural material form of a certain amount of value, has taken place. What happens now? The same again –

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to our surprise. The capitalists, with the help of the workers, produce an even bigger surplus value. But also the 'third persons', receiving an equivalent, can extend their production and increase demand. They have voluntarily once again fulfilled their duty to capitalism. Both sides are quite content now. 'The wolves have eaten, the sheep are unhurt.' Realizers and 'third persons' both feel quite well. So the same perpetuates, *an extremely peaceful game*, i.e. a very strange exchange of mutual 'services', quite in accordance with the apostles of harmony like Bastiat & Co.*: the capitalist renders a 'service' to the other side by delivering means of production and consumption, while the 'third persons' pay back equivalently by strongly supporting this slightly 'risky' business of realization. This idyllic 'roundabout' – to use one of Rosa Luxemburg's favourite expressions – keeps spinning around and around. This pleasant picture nevertheless inspires neither anger nor doubt in the learned critic of Marx formulae.†

The following example may show what sort of a net of contradictions Rosa Luxemburg entangled herself in concerning Marx's theory and the 'real historical process'.

As is commonly known, capital was already conducting ravening colonial policies at a very early stage of its development. It had any amount of 'third persons' at its disposal: peasants, small craftsmen, etc. What need was there to wander to distant lands? Rosa Luxemburg herself rejects the natural 'reason' (overseas products of a different nature, etc.). Or perhaps for realization? But they had a whole ocean of third persons at their disposal at home. Once again: what drives those odd capitalist madcaps to foreign countries? Resting on the ground of her own theory, Rosa Luxemburg cannot possibly answer this question.

So foreign trade remains inexplicable, not from the standpoint of Marx and his orthodox pupils, but *from the point of view of Rosa Luxemburg*.

The author of the *Accumulation* makes similar mistakes on a

[* Frederic Bastiat (1801–51). French political economist, born at Bayonne. Wrote various works against protectionism, and was considered to be the foremost spokesman of free trade in his lifetime. Also wrote anti-socialist works.]

† This question is dealt with in the extremely interesting and well written article by Comrade Kritzman, 'On Accumulation of Capital and Third Persons', *Wjestnik Sozialisticheskoi Akademii*, 5, Moscow, 1923 (in Russian).

different subject. We have already seen how the question of markets and driving forces urging for additional markets is incorrectly posed, just as she poses the question of the *labour markets* incorrectly.

Everyone knows the fact, the 'gross' empirical fact of the hunt for colonial labour power. What is this hunt based on? Why does capital want 'yellow labour'? Perhaps it is lacking in other labour power or could not exist without additional colonial labour, as the one 'at home' does not suffice?

Not at all! The reason is simply that in hunting for maximum profits it looks for *cheaper* labour and, at the same time, the *highest rate of exploitation*. *This difference in the remuneration of labour, which is functionally related to profit, is the true reason for the hunt.*

Rosa Luxemburg sees that quite differently. Let us give her the word once more, so that we can prove later on how dangerous it is for anyone who wants to stay a revolutionary in the field of theory to 'criticize' Marx:

Hitherto we have considered accumulation solely with regard to surplus value and constant capital. The third element of accumulation is variable capital which increases with progressive accumulation. . . . One of the fundamental conditions of accumulation is therefore to supply a living labour. . . . This supply can be increased under favourable conditions – but only up to a certain point – by longer hours and more intensive work. Both these methods of increasing supply, however, do not enlarge the variable capital or do so only to a small extent (e.g. payment for overtime). Moreover, they are confined to definite and rather narrow limits which they cannot exceed owing to both natural and social causes. The increasing growth of variable capital which accompanies accumulation must therefore become manifest in ever greater numbers of employed labour. Where can this additional labour be found?*

After raising this question and examining Marx's solution (Marx was envisaging an abstract solution here, too), Rosa Luxemburg arrives at the result that this solution was obviously unsatisfactory. . . .

If natural propagation (of the working class) were the only foundation for the development of capital, accumulation, in its periodical swings

* Luxemburg, *Accumulation* [pp. 359–60, London edn.].

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from overstrain to exhaustion, could not continue, nor could the productive sphere expand by leaps and bounds, and accumulation itself would become impossible.*

Marx . . . ignores, however . . . the very process . . . of incessant transition from non-capitalist to capitalist conditions of a labour power that is cast off by pre-capitalist, not capitalist modes of production in their progressive breakdown and disintegration. Besides the decay of European peasants and artisans we must here also mention the disintegration of the most varied primitive forms of production and of social organizations in non-European countries.

Since capitalist production . . . can no more confine itself to the natural resources and productive forces of the temperate zone that it can manage with white labour alone.†

. . . capitalist production cannot manage without labour-power from other social organizations.‡

These observations, coy at first sight, conclude in reality in a denial of the most essential points of Marx's economic theory and unavoidably end up in opportunistic conclusions.

Let us try once more to clear this mass of contradictions contained in the quotations.

First we have to point out a confusion that – by the way – is characteristic of Comrade Rosa Luxemburg's entire book. Here, too, she confuses the concrete with the abstract. Concretely, the mass of the additional labour force comes from the countryside, from the non-capitalist sphere of economy. But that really should be no reason for Rosa Luxemburg to borrow arguments from the bourgeois Franz Oppenheimer,§ who believed himself to be dealing the 'deadly blow' to the dragon Marx by pointing out this fact. The problem lies in the following: what relation exists between accumulation and labour force in an abstract capitalist society? Marx answers: as a result of the relatively faster growth of constant compared with variable capital, there develops necessarily a *reserve army*, that becomes either larger or smaller according to the fluctuations of the industrial situation. As the

* Luxemburg, *Accumulation* [p. 361].

† *ibid.* [p. 362].

‡ *ibid.* [p. 364].

[§ Franz Oppenheimer (1864–1943). German economist and sociologist. Began career in medical profession, receiving M.D. at Berlin University in 1885. Changed career later and studied at Keil. In 1919 became Professor of Economics at Frankfurt. Left Germany in 1933.]

mechanism of capitalism knows how to secure a market (even though without that sweet 'harmony'), so it can dispose of the masses of labour force by ensuring augmentation on the one hand and by forming the reserve army on the other.

Such is the situation in a 'purely' capitalist society. In *concrete* society, things are, of course, not as simple as that. The more important the specific weight of the 'non-capitalist' mode of economy, the more substantial the 'corrections' of this analysis have to be. It is accordingly pointless to try to refute Marx's theory by referring to the fact of introducing additional labour from the non-capitalist milieu.

Let us take a close look at another assertion, Rosa's main postulate. Basically, it leads to the statement that capitalism is *impossible* without the labour force from the non-capitalist sphere, and that accumulation is just as *impossible* without this labour force as realization is without the 'third persons'. The realizing 'third persons' receive theoretical support from the exploited *former* 'third persons', who after losing their quality as such have now become agents of capitalist production.

So, according to Marx, in a purely capitalist society a labour surplus (a reserve army) is unavoidable, so is the misery of the working class, and a contradiction between the masses' production and consumption, etc.

But, according to Rosa, not a *surplus*, but a *shortage of labour* is unavoidable. This shortage becomes so dominant that even accumulation itself becomes impossible.

We leave out the question about the extent to which accumulation becomes impossible under such circumstances, although it is of major interest.

The following has to be noticed: *if* a labour shortage *develops*, wages would obviously climb. The greater the 'shortage', the *higher* the wages. That would be very nice for the working class. But in such a case allow us this 'cunning' question: what happens to the theory of increasing misery? Or is even Bernstein correct when he asserts that it has long been redundant? And how about the contradiction between consumption and production? Can it be annihilated after having fulfilled its task (not very explicitly by the way) to support the theory of realization or wither away as being 'no longer relevant'?

Comrade Rosa Luxemburg is so naïve that she does not even realize that her thesis of the 'impossibility' of capitalism without non-capitalist labour *destroys the foundations of her own theory*, as this thesis denies the 'misery of the masses', without which one cannot take a single step. Still more. The thesis does not only destroy Rosa's own theory, it radically contradicts the foundations of the correct revolutionary theory of Marx. She prettifies capitalism with her theory. It *denies* the immanent tendencies of capitalism, expressed in the impoverishment of the masses, in the growing class contradictions, in the disproportionality of production and consumption, etc.

Rosa Luxemburg wanted to be more revolutionary in her theory than Marx. But our assertions have demonstrated that her critical attitude towards Marx has led her to give a *moderated* picture of capitalism. Exploitation was replaced by tame realization. The same is repeated in this case. Wishing to substantiate the 'terribly revolutionary' conclusion that capitalism will decay without a colonial labour force has put her unwillingly into opposition to the revolutionary theory of capitalist development.

Such is the revenge of Marx's teaching, which does not forgive critical attacks on its unity.

So far, we have looked mainly at the *question of capitalist expansion in general*, including its economic roots. Now it is time to examine the question of the economic roots of *imperialism*.

In the preface to her work Comrade Rosa Luxemburg expresses the expectation that the *Accumulation of Capital* should 'apart from a merely theoretical interest . . . also have some importance for the practical struggle against imperialism'. Comrade Luxemburg believes that her investigation is closely related to the question of imperialism. That, of course, is right. The intentions of the author, as well as her later role in the class struggle, are *unambiguous*. Nevertheless, her work contains no solution to *this* question. The specific traits of a specific, historically demarcated epoch disappear behind general observations on the expansion of capital (which are not even correct – as we have seen).

It is characteristic that Rosa Luxemburg does not mention the 'treatment of the cartels and trusts' in more than one little footnote [p. 457, London edn.].

Rosa Luxemburg not only offers no solution to this question, she does not even *pose* it correctly, and so reaches a number of incorrect theoretical conclusions. For instance, she defines *imperialism* as follows: 'Imperialism is the political expression of the accumulation of capital in its competitive struggle for what remains still open of the non-capitalist environment.'*

Here we are faced with a whole pile of various mistakes, which are by no means accidental, but on the contrary, all follow along the same line. Firstly, capital has always fought for 'remains' (a more than unprecise term). Secondly, it follows from this definition that a fight for territories that have *already* become capitalist is not imperialism, which is utterly wrong. Thirdly, it follows from the same definition that a fight for already 'occupied' territories is not imperialism either. Again, this factor of the definition is utterly wrong. The whole definition suffers from the basic fault that it treats the problem without any regard to the necessity of a specific characterization of capital as *finance capital*. Trade capitalism and mercantilism, industrial capitalism and liberalism, finance capital and imperialism – all these phases of capitalist development disappear or dissolve into 'capitalism as such'. The specific matter of *finance capitalist* conditions of production disappears, the conditions of monopolistic production, held together by the banks, disappears. However, can the specific 'political expression' of capitalism be understood without understanding the specific form of this capitalism? After all, politics are nothing but the means to expand the existing conditions of production. It is just this that Rosa Luxemburg does not understand, distinguish or even notice. She prefers to talk about things 'in general', without regard to the real, concrete, historical *peculiarities* of our epoch, which as such need a special analysis.

Here is a striking example to illuminate the untenability of Luxemburg's conception of imperialism. We mean the occupation of the Ruhr territory by the French [1923–4].

From Rosa Luxemburg's point of view this is not imperialism, since (1) the 'remains' are missing; (2) there is no 'non-capitalist milieu'; and (3) the Ruhr territory already had an imperialist owner before the occupation. In short, *all* symptoms of Rosa Luxemburg's characterization fail to apply in the given case.

* *op. cit.* [p. 446].

On the other hand, Portugal's trade wars, for example, fall into the category of imperialism, or Spanish policies in America immediately after its discovery. The criterion of *certain conditions of production* disappears, the only criterion that allows us to understand the peculiarities of a historical epoch. Now we ask: is there any connexion between the general postulates of Rosa Luxemburg's theory and her false definition of imperialism? We believe – certainly.

Indeed, why should one annex *capitalist* territories? It does not help the realization, only 'third persons', only non-capitalist 'producers' can help the realization, supporting capitalism in its difficult task of realization. The annexation of territories, ruled by foreign capital, seems perverse from this point of view.

Rosa Luxemburg *stresses just* the non-capitalist character of the objects of imperialist operation. So she writes on militarism: 'Militarism . . . plays a decisive part . . . (as) a weapon in the competitive struggle between capitalist countries for areas of non-capitalist civilization.'*

So: 'non-capitalist civilization'! Capitalist areas are simply eliminated – against all reason. This elimination is due to the fact that Rosa Luxemburg has misunderstood the problem of realization, instead of dealing with the level and amount of profit. Strangely enough, imperialism has been defined in the same way by no less a man than Karl Kautsky. According to Kautsky, imperialism is the fight for additional agrarian territory (in spite of the fact that Kautsky thinks of the agrarian countries mainly as suppliers of raw materials). Kautsky, as well as Rosa, is unable to understand that the struggle of the big *monopoly* capitalist organizations cannot be contented with this aim. The destructive effect of imperialist operations is not only extended to the servile 'third persons', but also to capitalist territories; yes, even to the foreign territories of finance capital. The struggle has changed from a mere fight for the distribution of the agrarian countries into a *division of the world*.

Thus we arrive at the result: Rosa Luxemburg is unable to explain the process of accumulation as such. The process resulting from the *relation* of capitalist to non-capitalist spheres remains unexplained, and this means that Rosa Luxemburg is unable to

* *op. cit.* [p. 454].

explain the expansion of capital properly. Even less can she explain the specific symptoms of imperialism.

Finally a brief sketch of the latter problem should be given. That means answering the following questions:

1. What conditions the expansion of capital and what are its economic roots?
2. How can the extreme sharpening of the competitive struggle among capitalist states be explained?
3. How can the specific form of the struggle (use of violence, wars) be explained?

Let us try to answer the questions briefly.

1. *The expansion of capital* is conditioned by the movement of profit, its amount and rate, on which the amount depends. The movement of commodities and capital follows the law of the averaging out of the rate of profit. There is no doubt that this process must be seen from the standpoint of the reproduction of the total social capital. The formula of reproduction is

$$M - C \left\{ \frac{L}{mp} \dots P \dots C^1 - M^1 \right.$$

We are faced with three parts of the process. The change of the money-form of capital into the form of productive capital (money changes into means of production and labour force); the productive capital functions as such (the actual process of production – marked by the letter *P* – at the same time being the process of the production of surplus value) resulting in the change of the form of productive capital into the form of commodities; finally the change of the amount of commodities with an increased value into money, i.e. the change of the form of commodity of capital into its money-form. Clearly, the amount of profit can fluctuate according to the conditions of the first, second and third processes, which together form the entire cycle of capital.

If cheaper means of production and cheaper labour are available, the rate of profit climbs accordingly, and capital tries to exploit this situation. If there are other conditions connected to the position of industry, i.e. the geographical situation, conditions which increase the rate of profit, then capital moves in that direction. Finally, if we have more advantageous conditions to realize the amount of commodities, then again the profit rate

climbs, while capital increasingly orientates itself in that direction. As a result of that, the roots of capitalist expansion lie in the condition of buying as well as in the process of production itself, and finally in the conditions of selling. Three problems are generally related to that: the problem of the raw material markets and labour-power; the problem of new spheres for capital investment; lastly the problem of market. Non-capitalist economic forms, especially those far away from the centres of developed capitalism, are the main attraction, as they guarantee a maximum profit (even including high transport costs). The gaining of a colonial 'surplus profit' explains the *direction* of capitalist expansion. That does not mean that the struggle only goes or only can go in that direction. On the contrary, the further it develops (of course, under the condition that capitalism continues to exist) the more it will become a struggle for the capitalist centres as well. In this case, too, the movement of profit is the main reason (for example, the connexion of French iron with the Ruhr coal guarantees an enormous increase in profit).

2. The immense sharpening of competition among capitalist countries is explained by the adaption of free objects of capitalist exploitation in the three directions corresponding to the three parts of the general formula of reproduction. Here quantity turns into quality. This problem has been sufficiently illuminated by the existing literature.

3. The *specific forms* of the competitive struggle (the shifting of the stress from the struggle by means of lower prices to the method of increased pressure, finally war) result firstly from the monopolistic structure of modern capitalism, secondly from the fact that the importance of the struggle for raw materials and territories for capital export (where competition by means of lower prices is out of the question) has increased under the condition of monopolized property in these territories; thirdly from the fact that the market problem is different today, as it is no longer a competition of equal entrepreneurs, but the fight of gigantic 'state-capitalist trusts' supported by state power.

If different enterprises fight each other (for instance the coal trust and the iron trust), the tactic of lower prices is pointless. If combined enterprises fight, their methods necessarily become combined. But now modern capitalist states are, in economic

terms, nothing but gigantic combined economic trusts. Furthermore, the problem of the struggle for a market for a similar product is essentially different under the rule of monopoly capital, which is forced to strive for exclusive ownership of a given market, its demarcation through tariff barriers and the subjection of its state organizations.

Accordingly, the *objective content* of capital expansion changes also – within certain limits. We saw that the *forms* of expansion changed towards a sharpening of the *methods of fighting*. Further we have seen that this again is caused by a change of the *forms of capital* itself. As war is nothing but ‘the continuation of politics with other means’, so is politics nothing but the *method of the reproduction of certain conditions of production*. So the modern expansion of capital differs from the previous in the fact that it *reproduces the new historical type of the conditions of production on an extended level, i.e. the type of the conditions of finance capitalism*. In this rests the basic constitutive characteristic of imperialism, which Rosa Luxemburg completely overlooked. What is the point of all this talk about imperialism, if one does not understand its specific historical characteristics? It means a misunderstanding of the demands of Marxist methodology as well as of the ‘concrete historical process’, which is so often called as a witness against the ‘soulless formulae’ in Marx’s *Capital*.

5. THE THEORY OF CAPITALIST COLLAPSE

As we have explained above, Rosa Luxemburg's incorrect theory of accumulation also leads to an incorrect theory of imperialism. And the latter leads to an incorrect *theory of capitalist collapse*. Rosa Luxemburg therefore attempts, arguing *e contrario*, to prove that she is right:

Capitalist accumulation becomes (objectively) limitless once capitalist production has built a sufficient market for itself. As production will still grow, i.e. the productive forces will develop without limit, even when all mankind is divided into capitalists and proletarians, as there is no end to the economic development of capitalism, the one specifically Marxist foundation crumbles. According to Marx, the rebellion of the workers, the class struggle, is only the ideological reflex of the objective historical necessity of socialism, resulting from the objective impossibility of capitalism in a certain economic stage. Of course, that does not mean to say that the historical process has to be, or even could be, exhausted to the very limit of this economic impossibility. The objective tendency of capitalist development in this direction is much sooner sufficient to produce such a social and political sharpening of contradictions in society, that they must terminate the dominant system. But these social and political contradictions are essentially only a product of the *economic* indefensibility of capitalism. As this becomes increasingly obvious, the sharpening of the situation continues.

If we assume, with the 'experts', the economic endlessness of capitalist accumulation, then the vital foundation on which socialism rests will disappear. We then flee into the mist of pre-Marxist systems and schools, which attempted to deduce socialism purely from the injustice and evils of today's world and from the revolutionary determination of the working classes.*

Rosa Luxemburg's model is extremely simple and, to a certain extent, illuminating. Capitalism is possible to the extent that it is 'impure', in other words, to the extent that a periphery of 'third

* Luxemburg, *Anti-Critique*, p. 76.

persons' exists alongside the 'capitalist productive' centre. The 'third persons' constitute a premise of the process of the realization of surplus value, hence also a necessary condition of the process of expanded reproduction. Nonetheless, the movement of capital is, according to its tendency, a movement towards 'pure' capitalism, as to a certain mathematical limit of development. If, according to this theory, the solution of the contradiction between the process of the production of surplus value and its realization takes place at the expense of the 'third persons', the solution cannot be repeated for ever, since the number of third persons is decreasing relatively. Here we come up against the *objective-economic limit* of capitalism as a specific, historically limited mode of production. Capitalism becomes an *economic impossibility*. This historical-economic necessity breaks through in the workers' revolution. With this, we are supposed to be faced with the 'strict outlines of economic laws' which form the basis of the gay assortment of socio-political social relationships, whose surface conceals the deeper driving forces of the historical process.

Though imperialism is the historical method for prolonging the career of capitalism, it is also a sure means of bringing it to a swift conclusion. This is not to say that capitalist development must be actually driven to this extreme: the mere tendency towards imperialism of itself takes forms which make the final phase of capitalism a period of catastrophe.

So much for the 'Theory of Capitalist Collapse' as developed by Rosa Luxemburg.

What makes this theory so attractive?

Its 'economic determinism' ('objective limits to capitalism', 'strict outlines of economic laws', etc.). Further, its (alleged) confirmation by empirical facts (sharpening of the situation as a result of the hunt for markets, periods of catastrophes, 'catastrophical character' of the whole imperialist epoch, etc.). Last – but not least – its 'revolutionary' character.

Nevertheless, Rosa Luxemburg's theory of capitalist collapse is simply false. It is wrong primarily as a *theory*, i.e. as a series of postulates which is not content with illustrating a number of extremely important social phenomena, but which tries to *explain* them as well.

We have already exposed the major points of the theoretical

weakness of Luxemburg's thought. The whole 'collapse' clearly rests on the impossibility of realization within the framework of a 'pure capitalism', i.e. on a false theory, as we have demonstrated. Apart from that, we have shown that Rosa Luxemburg's theory results in a constant and peaceful reproduction of the relations between the capitalist sphere and the 'third persons'. In short, we have proved that Rosa's replacement of *exploitation* through *realization* has to result in a peaceful character to the process, however revolutionary her 'conclusions' may turn out to be.

So Rosa's whole theoretical construction is full of internal contradictions. Meanwhile, we shall analyse the arguments of Rosa Luxemburg reproduced above, in order to augment the existing mistakes with a number of new ones which are characteristic of the formulation of the theory of collapse, and the *Anti-Critique* which is related to it.

We want to proceed from facts. It is a fact that imperialism means catastrophe, that we have entered into the period of the collapse of capitalism, no less. But it is also a fact that *the overwhelming majority of the world's population belongs to the 'third persons'*. It is essential to distinguish between two concepts: the rule of capital in general and the rule of capital in a narrower sense; in other words, the existence of a 'pure' and an 'almost pure' capitalism. There is no doubt that capitalism has everywhere become the dominant economic form, that it is the conductor in the concerto of economic forms. But it is equally beyond doubt that it is not the industrial and agricultural wage workers but the peasants who form the majority of today's world population. Out of the 1,700 million people populating our planet, 900 million (over half) live in Asia. 400 million of the 430 million Chinese and about 170 million of the 320 million Indians are peasants. If we include small craftsmen and other 'third persons', we end up with an enormous number. Asia, Africa and America contain gigantic masses of 'third persons'. Moreover, nearly 50 per cent of the population of Europe is rural – an indirect proof of how enormously large the reserves of 'third persons' still are.

Even if Rosa Luxemburg's theory were even approximately correct, the cause of revolution would be in a really poor position. For, given the existence of such a huge reservoir of 'third

persons', which exists in reality, there can be practically no talk of a collapse. Then we would say, *à la* Cunow*: capitalist expansion still has such a colossal field of activity at its disposal, in the form of the 'third persons', that only utopians can talk seriously about some kind of proletarian revolution. The reality is that the illusion of an imminent victory of socialism has collapsed, not that socialism from the epoch of the Second International has collapsed. The reality is that capitalism has not yet fulfilled its historical mission, and one can not yet anticipate the end of capitalist development.

Unfortunately, such a 'Cunowist' conclusion follows unavoidably from Rosa Luxemburg's theory. The fact that she draws completely opposite conclusions from all this merely proves her logical inconsistency.

In fact, Rosa seems to be aware of the awkwardness of her whole proof. She admits that it would be ridiculous to assert that capitalism must first throttle every 'third person'. She explicitly stresses that capitalism will be blown up 'much earlier'. In her opinion, 'the objective tendency of capitalist development towards this end' is sufficient. However, the 'objective tendency' towards this 'end' (!), etc., has always existed. The process has obviously to be extremely far advanced, the 'impossibility of realization' has to become valid, at least as an 'economic presentiment', to use a pictorial expression; the relation between the capitalist and the non-capitalist economic sphere must be *objectively* such that the 'third persons' in no case represent a *majority*.

In reality, *nothing* of all that is to be found. And yet the whole epoch is already showing the most *acute* sharpening of contradictions, the most *acute* and general tension, the most *acute* catastrophic character. And yet capitalism is *already* beginning to 'burst'. And yet the dictatorship of the proletariat has *already* become reality in the form of the Soviet Union. How can all these contradictions be explained?

Very simply. Certainly not because there are no longer enough 'third persons' but because these 'third persons', who bring capital a *surplus profit* (but capital 'absolutely' 'needs' a surplus

[* Heinrich Cunow. German Social Democrat. Associate of Rosa Luxemburg on the left of the SPD pre-1914. At the outbreak of war took up a patriotic position and rapidly evolved to the right.]

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profit) have already been divided up amongst themselves by the big powers of *finance capital according to the law of monopoly*.

Comrade Rosa Luxemburg totally ignores the question of the movement of profit, of the specific character of the extra profit, of the specific forms of monopoly capitalism. The result of this sin of omission is that the true nature of imperialism escaped her. Hence her contradictions.

Capital *could* very easily exist without 'third persons'. But once 'third persons' are there, capital strives *necessarily* to eat them up, as such a meal brings in a surplus profit. There is still a *huge amount* of 'third persons'. The struggle waged for them (i.e. the struggle for surplus profit) has already reached a stage of acute *sharpening*, as they have already been divided *monopolistically* into colonies, spheres of influence, etc.

This is how things are in reality. To a certain extent, Rosa Luxemburg replied correctly to the objection of one of her critics, that capitalism would eventually collapse because of the 'fall in the rate of profit', when she replied to him:

How the dear man envisages this – whether the capitalist class will at a certain point commit mass suicide in despair at the low rate of profit, or whether it will somehow declare that business was so bad that it simply wasn't worth the trouble, whereupon it will hand the key to the proletariat? However, that may be, this comfort is unfortunately dispelled by a single sentence by Marx, namely in the statement that, 'large capitals will compensate for the fall in the rate of profit by mass production'. Thus there is still some time to pass before capitalism collapses because of the falling rate of profit, roughly until the sun burns out.*

Without doubt, all that is essentially correct. But Rosa Luxemburg does not notice, strangely enough, that her answer hits not only at the 'dear man' but also at . . . the author of the *Accumulation* herself.

We do not wish to play the part of a devil's advocate; nevertheless, we have to admit that the said 'dear man' could come up with the following reply:

It would be ridiculous to demand that the process should reach its logical conclusion. The objective tendency of capitalist development towards this end is quite sufficient. Long before the

* *Anti-Critique*, p. 76n.

'end', this tendency will sharpen the struggle for any possibility to gain an additional profit to such an extent, and will be accompanied by such a centralization of capital and sharpening of social relations, that the epoch of a low rate of profit will become the epoch of catastrophes.

Such an answer would only differ slightly from that of Rosa Luxemburg. For at the same time the rate of profit would be approximately nil, since the last 'third person', who would have postponed the terrible apocalyptic hour of the capitalist world, which would have brought an end to the realization of surplus value, would be beginning to disappear.

We have already mentioned the three factors which make Rosa Luxemburg's theory attractive. They were: its economic determinism, its 'objective limits' of capitalism, its (alleged) confirmation by the facts (period of catastrophes, etc.) and the 'revolutionary character' of her whole construction. We must now, as 'professional destroyers', admit that our criticism has left nothing from the three factors.

Let us take another look at the list and see what remains of all these factors.

Firstly, we saw that Rosa Luxemburg did not indicate any limits in the central question which could explain the collapse. In practical terms, the limit indicated by Rosa Luxemburg has not the slightest importance. Capitalism is already beginning to break up while three quarters of the world's population still remain in their capacity of 'third persons'. It is obvious that this explanation is completely contrived.

Secondly, the theory in no way corresponds to the facts. If catastrophes occur, Rosa Luxemburg's theory, as we have seen, is unable to explain them. The *fact* of the existence of immense numbers of 'third persons' contradicts Rosa's theory of collapse.

Thirdly, not only can one not draw any revolutionary conclusions from Rosa's theory but, on the contrary, conclusions that make revolution appear impossible for a long time.

All these arguments against the author of the *Accumulation* form only an addition to the main thrust of our criticism in the previous chapters. It was demonstrated that both the main line and the subsidiary lines of Rosa's proof are equally untenable theoretically. This happened to Rosa Luxemburg because she had

given up the standpoint of Marxist orthodoxy at precisely that part of Marx's analysis where the brilliance of the incomparable master has left us the most complete results of his genius.

Here we have to meet another of Rosa Luxemburg's arguments. We have already seen at the beginning of this chapter that Rosa Luxemburg had developed the following thoughts:

'If capitalist production forms a sufficient market for itself, then capitalist accumulation becomes (objectively) a limitless process.'

From this she now draws the conclusion: *hence* production can 'grow undisturbed', *hence* there are no limits to the economic development of capitalism, *hence* 'the one specifically Marxist pillar of socialism collapses'.

This chain of conclusions is logically untenable. That is because Rosa Luxemburg does not understand the dialectical character of social contradictions, the dialectical character of the social totality and the laws of its movement.

Capitalist society is a 'unity of contradictions'. The process of movement of capitalist society is a process of the continual reproduction of the capitalist contradictions. The process of *expanded reproduction* is a process of the *expanded reproduction* of these *contradictions*. If this is so, it is clear that these contradictions will blow up the entire capitalist system as a whole. We have reached the *limit* of capitalism. How acute the contradictions have to become to blow up the system is a question in itself. We have tried to give an analysis of this problem in another work.* The answer has to be looked for in the conditions of the reproduction of labour-power. If the explosion of the capitalist contradictions has led to a destruction of the economy and decline of the productive forces and, as a result of that the reproduction of labour force and so its functioning has become impossible from a certain point, then the social apparatus of production bursts apart, the barricades go up between the classes.

Even this general, schematic, 'purely theoretical' and hence conditional explanation of the collapse of capitalism postulates a

* N. Bukharin, *Economy of the Transformation Period*. The concept of production as production of capitalist contradictions has been extensively treated in our book, *Imperialism and World Economy* (St Petersburg, 1918). [English edition: Martin Lawrence Ltd., London.]

limit which is in a certain sense objective. The limit is given to a *certain degree by the tension of capitalist contradictions.*

Rosa Luxemburg makes things out to be much too simple: if realization in a purely capitalist society is impossible, the productive forces would keep on growing 'undisturbed'; if capitalism could theoretically exist without 'third persons' then that means that there are 'no limits' to 'economic development'.

We repeat: these confrontations, which are extremely characteristic for Rosa Luxemburg and her way of thinking, show the weak points of her proofs. One has only to look closer at these confrontations to realize how far away the author of the *Accumulation* is from a real solution to the problem, yes, even from a correct and methodologically logical way of posing the question.

Indeed, does the possibility of realization mean 'undisturbed' growth of the productive forces? Not at all. In Part 4 we have seen what confusions Rosa Luxemburg has caused. 'Undisturbed' growth means to her growth *without contradictions*, but even in 'pure capitalism' the whole development is full of contradictions. If there is no continual over-production, there is a periodic one. If there is no continual impossibility of realization, there are periodic crises instead. If there is no final solution to the contradictions, there is instead temporary postponement, hence a conditioned 'solution'. If there is no continual possibility for capitalism to exist, there is instead expanded reproduction. And so on and so forth.

In other words, 'disturbances' are by no means excluded, but are, on the contrary, 'imminent' for capitalism. They are 'done away with' periodically, but only to reappear stronger periodically. Its increasing size and growing intensity will unavoidably lead to the collapse of capitalist rule.

Capitalist development is a process of the expanded reproduction of all the basic contradictions of capitalism. Here, too, Rosa Luxemburg makes it too easy for herself. She deals with one contradiction between the conditions of the production of surplus value and the conditions of its realization, the contradiction between production and consumption under conditions of capitalism.*

* Mentioned on the side, no less a person than the father of revisionism, Eduard Bernstein, came to a similar conclusion, although from a different

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This contradiction is not treated as a dialectical one, but as a superficial contradiction, from which the unavoidability of collapse is deduced. But one must not start from *one* contradiction but from a number of them, which should be seen in their dialectical movement. We then receive a quite different picture from that designed by Rosa Luxemburg, even if it was done in a masterly fashion. The contradiction between production and consumption, the contradiction between different branches of production, the contradiction between industry and an agriculture limited by rent, the anarchy of the market and competition, wars as means of competition – all that is *reproduced on an expanded scale* in the course of capitalist development.

This movement is closely connected to the movement of profits, the major propellant of the capitalist economy.

Today we are able to watch the process of capitalist collapse not merely on the basis of abstract constructions and theoretical perspectives. The collapse of capitalism has started. The October Revolution is the most convincing and living expression of that. The revolutionization of the proletariat was doubtless connected

angle. He writes: 'What characterizes the modern mode of production above all is the great increase in the productive power of labour. The result is a no less increase in production – the production of masses of commodities. Where are these riches?

'Or, in order to go direct to the heart of the matter: where is the surplus product that the industrial wage earners produce above their own consumption limited by their wages? If the "capital magnates" had ten times as large stomachs as popular satire attributes to them . . . their consumption would only be a feather in the scale against the mass of the yearly national product. . . . Where then is the quantity of commodities which the magnates and their servants do not consume? If they do not go in one way or another to the proletarians they must be caught up by other classes. Either a relatively growing decrease in the number of capitalists and an increasing wealth in the proletariat, or a numerous middle class – these are the only alternatives which the continued increase of production allows.' (E. Bernstein, *Evolutionary Socialism* (New York, 1961), pp. 49–50.)

According to Bernstein, the solution is to be found in the 'middle classes'. If we remember that the revisionist especially stressed the ability to survive of small farming enterprises, the similarity becomes obvious. Certainly the 'ends', as well as the conclusions of Bernstein and Rosa Luxemburg, are diametrically contrary, but it remains characteristic that the starting point of the analysis, the way the question is posed and the estimation of the conditions of capitalist development are the same: the 'third persons' are the *sine qua non* of capitalism.

to the economic decline, this to the war, the war to the struggle for markets, raw materials and spheres of investment, in short with imperialist politics in general. The latter were nothing but the reproduction of the competitive struggle on a world-wide scale, where individual entrepreneurs or individual trusts were not the subjects of competition, but already consolidated 'state capitalist trusts'. These explosions of war include all major contradictions of the capitalist system that have already been mentioned. One can also categorize them differently if one conceives of them as a contradiction between the productive forces of the *world economy* and the 'nationally' limited methods of appropriation of the bourgeoisie separated by states, or as the contradiction between production socialized on the widest scale and private economic or 'national-bourgeois-economic' conditions of property. It would not be difficult to show through an extensive analysis that the collapse of capitalism sets free all contradictions of capitalism. It is its unfolded form *in actu*.

Theoretically, the possibility of a 'second round' of imperialist war is not to be excluded, but is really quite obvious, as Comrade Lenin has already stressed.

Along with all these contradictions in the system of world economy goes another major contradiction: that between the capitalist world and the new economic system of the Soviet Union. Through this the new conflict becomes even deeper, more acute and more destructive towards capitalism.

The biggest theoretical merits of Rosa Luxemburg are that she raised the question of the relation between the capitalist and the non-capitalist milieu. But she only raised it. She silently or almost silently evaded the specific questions concerning this extensive problem (the question of the character of exchange, structural variation, modifications in the law of value, extra profit, the increased accumulation at the expense of 'third persons', etc., etc.). But doubtless the mere question deserves great respect. Comrade Rosa Luxemburg did not gain less merit for stressing the question of *reproduction*. To stress the question of reproduction is today more necessary than ever – as we have proved on other occasions.*

* Bukharin, *World Economy and Imperialism*. Also *Economy of the Transitional Period*.

But Rosa Luxemburg has overlooked the fact that *the extended reproduction of capitalist conditions at the same time is the extended reproduction of all capitalist contradictions*. Had she seen that clearly, she would not have bothered with the problem of the 'objective limits' of capitalism – that limit, that she believes to have found in the disappearance of the 'third persons', after ascribing to the 'third person' the role of the only 'realizers' of the surplus value produced by the wage slaves of capitalism.

Another of Rosa Luxemburg's extraordinary theoretical merits is that she raised the question of the historical necessity of imperialism. Opposed to the reformists, who had betrayed Marxism with open cynicism, and opposed to the quasi orthodox *à la* Kautsky, who was at that time already starting to stutter about the possibilities of an 'English style' reformed 'ideal capitalism', Rosa Luxemburg sharply raised the question of imperialism as the unavoidable 'immanent appearance' of capitalism at a certain stage of development. At any rate, she was not able to understand the problem theoretically as the specific problem of our time. She did not try to find the basis of imperialism in the hunt for larger monopoly profits and in the necessary movement of finance capital in that direction, but in the absolute impossibility of the existence of capitalism 'without third persons'.

Nevertheless, she has raised the question about the necessity of imperialism and in general answered it properly, although her answer was based on theoretically wrong arguments. Rosa Luxemburg's work rose high above the bungling efforts and the miserable chattering of the reformists of both directions, the open revisionists as well as the Kautskyans. It represents a daring theoretical attempt, it is the deed of a brilliant theoretical intellect. We do not have to mention especially that the historical part of the work has remained unsurpassed until today in its description of the history of the colonial conquests of capitalism.

CONCLUSION

We have come to the end of our observations, and we shall briefly mention the connexion between Rosa Luxemburg's *theoretical* mistakes and a number of her *practical-political* ones. The relation of correct and incorrect is identical in both sectors. In *theory*, the basic thesis of the 'necessity' of imperialism and of the collapse of capitalism proved to be correct. In *practice* the same applies to the basic thesis: to overthrow imperialism, one has to overthrow the capitalist system. But, as with the theoretical conclusions, so with the chain of arguments that were to justify the thesis of the necessity of imperialism, which showed itself to have many false links; thus a number of tactical opinions, which ought to have delivered the practical proof of the theory and changed the weapon of criticisms into the criticism of weapons, proved to be incorrect.

Capitalism will inevitably decay because of a lack of 'third persons'. In this lies its objective limit, which cannot be surpassed. Even if it decays 'long before' the 'third persons' have disappeared, then nevertheless in that lies the final cause of the decay of capitalism and its collapse. That is one of Rosa Luxemburg's basic logical postulates.

If that is so, it is obvious that the picture of capitalist collapse bears a much duller, more colourless, hypertrophically exaggerated 'industrial' character.

If that is so, then it is understandable that the problem of the 'third persons' as potential allies of the proletariat in the class struggle against the bourgeoisie is of no overwhelming importance. The dullness of the picture of the collapse corresponds to the seclusion of the forces which fight and overthrow imperialism.

From this follows consequently another reading of the postulates, as follows:

1. Incorrect position on the national question.
2. Underestimation and incorrect position on the colonial question.

3. Underestimation and incorrect position on the peasant question.

We arrive at quite different results from our theoretical conceptions. Capitalism *develops* its internal contradictions; they, not the lack of 'third persons', finally cause its collapse, however many 'third persons' there may be, even three quarters of the world's population. If capitalism reproduces its contradictions to such an extent that a decline of the productive forces begins, which makes impossible the existence of the labour force and drives the working class to rebellion, undermining the power of the metropolitan countries, unchaining the forces of the colonial slaves and sharpening national antagonisms, then the contradictions of capitalism will split the bloc of the ruling classes with the peasantry, and allow the important section of the peasantry to turn against capitalist domination – obviously, in this situation, *tactics*, the slogans of the struggle and the attitude towards the problem of the 'allies' will turn out to be different. Then, the necessity of 'connecting proletarian revolutions with peasant wars', colonial revolts and national liberation movements comes to the forefront.

Leninism dealt with precisely this question with unusual consistency and theoretical rigour. Thus, in overcoming Rosa Luxemburg's mistakes, we are inevitably led back time and time again to the theoretical postulates and practical conclusions of our departed teacher.

APPENDIX I

Marx's Scheme of Expanded Reproduction

In this appendix we have first of all set out Marx's scheme of expanded reproduction. This is to enable the reader to follow through the process which Marx uses and lays out in Vol. II of *Capital*. Readers should not attempt to read too much significance into the actual numbers used. These are quite arbitrary and in no way relate to any actual situation, their use being purely illustrative.

We have taken the second scheme because it is obvious that Marx himself could see that his first attempt was faulty, this is why he went on to this second scheme. We have taken each step in the process and explained what is happening and why. We felt there was the need for such an explanation since many people find Marx's method somewhat difficult to follow on this point. We should remind readers of the conditions laid down for the scheme, i.e. a two-class, closed economy, a constant state of technology and a constant rate of surplus value.

Stage

1 Beginning of first cycle

I 5,000c + 1,000v

II 1,430c + 285v = 7,715 capital put into circulation

Assuming that there is a rate of surplus value of 100 per cent, we then have the following:

2 I 5,000c + 1,000v + 1,000s = 9,000 total social product II 1,430c + 285v + 285s

We further assume that capitalists of Dept I consume half of their surplus value, i.e. 500, and reinvest the other 500. Since the 1,000v + 500s consumed are revenue and so must be exchanged with consumption goods from Dept II, we now have the following situation:

3 I 5,000c + 1,000v + 500s and 500s to be capitalized II 1,430c + 285v + 285s

Going on to the next stage we have:

4 I 5,000c + (1,000v + 500s) 500s to be capitalized II 1,430c + 285v + 285s

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We have bracketed the $1,000v$ and $500s$ of Dept I to indicate that these values are demand for goods from Dept II. But note that Dept II's constant capital is insufficient to meet this demand in full.

- 5 I $5,000c + (1,500v + s)$ 500s to be capitalized
 II $(1,430c + 70s) + 285v + 215s$

To enable the $(1,500v + s)$ of Dept I to be exchanged with Dept II, it is necessary to transfer $70s$ of Dept II to the constant portion of that department's capital. This is the beginning of Dept II's accumulation.

- 6 I $5,000c + (1,500v + s)$ 500s to be capitalized
 II $(1,500c + s) + (285v + 14s) + 201s$

To set the extra $70s$ in motion as constant capital, a variable capital of 14 is required. *N.B.* Ratio of constant to variable is 5 : 1 in both departments. This extra 14 is a further deduction from II's. The position is now as follows:

- 7 I $5,000c + (1,500v + s)$ 500s to be capitalized
 II $(1,500c + s) + 299v + 201s$

The exchange of $1,500$ from Dept I (i.e. $v + \frac{1}{2}s$) with $(1,500c + s)$ of Dept II has been dealt with. In distinction to simple reproduction, IIc is not equal to $Iv + Is$, rather IIc is less than $Iv + Is$. Up to now, from the point of view of Dept I, the exchange has merely been a form of simple reproduction. Now we begin the process of capitalizing the $500s$ put aside by Dept I.

- 8 I $5,000c + (1,500v + s)$ 500s to be capitalized at a
 II $(1,500c + s) + 299v + 201s$ ratio of 5 : 1 = $417c + 83v$

When the capitalists of Dept I invest their $500s$ we then have the following:

- 9 I $(5,000c + 417c) + (1,500v + s + 83v)$
 II $(1,500c + s) + 299v + 201s$

Given this situation, Dept I's $v + s$ which is to be exchanged with Dept II is once again greater than Dept II's c . Therefore a further sum of 83 is deducted from Dept II's s to enable the $v + s$ of Dept I to be exchanged for consumption goods.

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- 10 I $5,417c + 1,583v + s$
 II $1,583c + 299v + 118s$

Having set a further $83c$ into motion in Dept II, there has to be a proportional amount of v set in motion ($5 : 1$) which will be 17 . This is once again deducted from IIs.

- 11 I $5,417c + 1,583v + s$
 II $1,583c + 316v + 101s$

Since Dept II's s is capitalist consumption and the natural form of the commodities are in consumption goods, we assume they are exchanged and consumed in that department. Similarly with Dept I's c , since it is in the form of means of production that they will be exchanged within the department. So that the whole process can now be assumed to have taken place. We therefore have the following situation:

- 12 I $5,417c + 1,083v = 6,500$
 II $1,583c + 316v = 1,899$ } = 8,399 capital
 + $500s$ consumed unproductively (Dept I)
 + $101s$ consumed unproductively (Dept II)
 = 9,000 total social product.

Thus we can see that having started the cycle with 7,715 capital value we ended it with 8,399. We can finish this presentation by comparing the supply and demand for each of the two departments.*

MEANS OF PRODUCTION - DEPT I

Supply

Demand

$$\left. \begin{array}{l} 5,000c \\ 1,000v \\ 1,000s \end{array} \right\} = 7,000 \quad 7,000 = \left\{ \begin{array}{lll} 5,000 \text{ capitalists} & \text{I reconstitution of } c \\ 1,430 & \text{II} & \text{II} \\ 417 & \text{I accumulation of } c & \\ 70 & \text{II} & \\ 83 & \text{II} & \end{array} \right.$$

* The presentation of supply and demand in this manner is based upon a similar presentation by Ernest Mandel in his *Marxist Economic Theory*, p. 326.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL
MEANS OF CONSUMPTION – DEPT II

Supply

Demand

$$\begin{array}{l}
 1,430c \\
 285v \\
 285s
 \end{array}
 \left. \vphantom{\begin{array}{l} 1,430c \\ 285v \\ 285s \end{array}} \right\} = 2,000 \qquad 2,000 = \left\{ \begin{array}{l}
 1,000 \text{ workers I wages} \\
 83 \text{ workers I being the equivalent} \\
 \quad \text{of accumulation of } v - \text{wages} \\
 285 \text{ workers II wages} \\
 14 \text{ workers II being the equivalent} \\
 \quad \text{of accumulation of } v - \text{wages} \\
 17 \text{ workers II being the equivalent} \\
 \quad \text{of accumulation of } v - \text{wages} \\
 500 \text{ capitalists I unproductive con-} \\
 \quad \text{sumption} \\
 101 \text{ capitalists II unproductive con-} \\
 \quad \text{sumption}
 \end{array} \right.$$

One last point should be made. It will be noticed that the capitalists of Dept II only consume value of 101, but in each subsequent round they consume 50 per cent of their surplus value. If readers wish to prove this to their own satisfaction, they merely have to take as their starting point the 8,399 capital value, divided according to stage twelve, and repeat the process as laid out here.

APPENDIX II

A Comment on

Sweezy's Criticism of Bukharin

In his book *The Theory of Capitalist Development*, Sweezy criticizes Bukharin's equation for expanded reproduction of capital on the grounds that it does not include terms that would give an increased personal (i.e. unproductive) consumption of surplus value to the capitalist class. Also, Sweezy charges Bukharin with being 'incapable of imagining an increase in capitalist consumption'.* The last point is easily dealt with because Bukharin says specifically: '... since, taken in absolute terms, the capitalists' consumption grows as well as that of the workers.' We can see, therefore, that Sweezy's criticism is unfounded.

However, the general criticism of Bukharin's equation warrants further investigation.

Bukharin's equations form his model of the first step in the process of accumulation after passing from simple to expanded reproduction. He starts by laying out his scheme for expanded reproduction thus:

$$\begin{array}{l} \text{Dept I } C1 + V1 + \alpha1 + \overbrace{\beta1c + \beta1v}^{\beta1} \\ \text{Dept II } C2 + V2 + \alpha2 + \underbrace{\beta2c + \beta2v}_{\beta2} \end{array}$$

α = surplus value consumed unproductively by the capitalist class

β = surplus value which is capitalized, i.e. accumulated

βc = that portion destined for constant capital

βv = that portion which assumes the role of variable capital

Now, $\alpha < s$ and the equality sign would only hold if we had a case of simple reproduction. Assuming that all the surplus value is realized, the above can be reduced to $(V1 + \beta1v + \alpha1) = (C2 + \beta2c)$.

Sweezy uses similar equations, with one difference. He sets them out as follows:

$$\text{Dept I } C1 + V1 + Sc1 + S\Delta c1 + Sav1 + Sac1 = W1$$

$$\text{Dept II } C2 + V2 + Sc2 + S\Delta c2 + Sav2 + Sac2 = W2$$

Sweezy uses Sc to denote that portion of the surplus value which the capitalists consume at the level of the preceding period or cycle. $S\Delta c$ is the increment to the consumed surplus value. Sav is the surplus value which augments variable capital and Sac is that part which augments

* *Theory of Capitalist Development*, p. 164, footnote,

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the constant capital. W1 and W2 equal the products of their respective departments. Sweezy's equation for expanded reproduction is

$$C_2^2 + S_{ac}2 = V_1 + S_{c1} + S\Delta c_1 + S_{av}1$$

In Sweezy's scheme, total surplus value in each department is $S = S_c + S\Delta c + S_{av} + S_{ac}$; in Bukharin's scheme it is $S = \alpha + \beta v + \beta c$.

Sweezy's criticism of Bukharin centres around his own quantities S_c and $S\Delta c$. He says, 'Bukharin, in his formal presentation of the expanded reproduction scheme, makes the error of assuming that capitalist consumption remains always the same. Hence he omits the term $S\Delta c$.'*

It would appear that Sweezy misses the point of Bukharin's analysis. When Bukharin uses the term 'starting stage', and exemplifies this in his equations shown above, he is contrasting the bases of expanded and simple reproduction. In doing this he is emphasizing the elementary but fundamentally important idea that for accumulation to take place the capitalist class cannot consume all of the surplus value unproductively. In reality there can no more be a first step at a certain point in time from simple to expanded reproduction, than there can be simple reproduction under capitalism. Simple reproduction is an extremely idealized notion in an *already idealized capitalist economy*, which is described by Marx. It would be possible to criticize Bukharin because he did not spell this out, but this in no way justifies Sweezy's remark (above). Bukharin was well aware of the need to consider the implications of the notation $S\Delta c$, i.e. that there is a change in capitalist unproductive consumption through time. He says: 'In the following cycle the capital of the starting stage is reproduced again, the unproductively consumed part of the surplus value grows – *for the first time* – the part of the latter which is to be accumulated will grow even more and so on.'†

Let us now compare Sweezy's and Bukharin's equations, on Bukharin's assumption that it is the first stage.

$$\text{Bukharin Dept I } C_1 + V_1 + \alpha_1 + \beta_1 c + \beta_1 v = P_1$$

$$\text{Sweezy Dept I } C_1 + V_1 + S_{c1} + S_{ac1} + S_{av1} \quad (S\Delta c_1 ?)$$

$$\text{Bukharin Dept II } C_2 + V_2 + \alpha_2 + \beta_2 c + \beta_2 v = P_2$$

$$\text{Sweezy Dept II } C_2 + V_2 + S_{c2} + S_{ac2} + S_{av2} \quad (S\Delta c_2 ?)$$

P_1 and P_2 equal the product of their respective departments. We can now see that, working with Bukharin's assumption of this being the first round of accumulation, then Sweezy's $S\Delta c_1$ and $S\Delta c_2$ could only be included if they were zero. However, we can say that Sweezy's

* *loc. cit.*

† Bukharin's emphasis.

APPENDIX II

equation is not general enough for expanded reproduction since it does not indicate variations of the several components with time.

The various components P , C , V , Sc , Sac and Sav , would all vary with time in some way, and not necessarily the same for each. That is to say that they can change from cycle to cycle. For some of these components the change could be positive, for some negative.

We could express this symbolically, using Bukharin's terms, as follows:

Product of Dept I

$$P1 + \Delta P1 = (C1 + \Delta c1) + (V1 + \Delta v1) + (\alpha1 + \Delta \alpha1) \\ + (\beta1c + \Delta \beta1c) + (\beta1v + \Delta \beta1v)$$

Product of Dept II

$$P2 + \Delta P2 = (C2 + \Delta c2) + (V2 + \Delta v2) + (\alpha2 + \Delta \alpha2) \\ + (\beta2c + \Delta \beta2c) + (\beta2v + \Delta \beta2v)$$

We are now in a position to compare Sweezy's equations with Bukharin's - as amplified by us.

$$\text{Bukharin } P1 + \Delta P1 = (C1 + \Delta c1) + (V1 + \Delta v1) + (\alpha1 + \Delta \alpha1) \\ + (\beta1c + \Delta \beta1c) + (\beta1v + \Delta \beta1v)$$

$$\text{Sweezy } W1 = C1 + V1 + Sc1 + S\Delta c1 \\ + Sac1 + Sav1$$

$$\text{Bukharin } P2 + \Delta P2 = (C2 + \Delta c2) + (V2 + \Delta v2) + (\alpha2 + \Delta \alpha2) \\ + (\beta2c + \Delta \beta2c) + (\beta2v + \Delta \beta2v)$$

$$\text{Sweezy } W2 = C2 + V2 + Sc2 + S\Delta c2 \\ + Sac2 + Sav2$$

Sweezy points out that there is a need to indicate a positive increment in Bukharin's α , and this is indicated in his own equations. We, however, in what we believe is the spirit of Bukharin's thinking, take the idea further by indicating that *all* the components can change just as α can. It is puzzling that Sweezy centres his criticism of Bukharin on his not including the term $S\Delta c$ (or, as above, $\Delta \alpha$) in his first-stage equation, where it is not necessary. Yet Sweezy omits the similar terms Δc , Δv , ΔSav , ΔSac in his general case, whilst including $S\Delta c$.

APPENDIX III

A Use of Luxemburg's Theory in Prediction

The German economist, Fritz Sternberg, wrote a short book in 1946 which was entitled *The Coming Crisis – Is a crash far worse than that of 1929 inevitable?** His answer was an emphatic yes. From this distance it may seem that he was merely another prophet of doom who was proven irredeemably wrong, but it would be wrong to dismiss him too lightly, since along with his wrong prediction he made some very acute observations which have in some large measure proved correct. His faults and his strengths demonstrate the same characteristics that are embodied in Luxemburg's theories.

Sternberg was an under-consumptionist, saying that, '... the specific problem of capitalism is not a deficit, but the danger of over-production on the one hand and declining consumption on the other'.† He argues that the vast expansion of capitalism in the century up to 1914 had overcome this problem by the expansion of overseas markets. This had the result of (1) creating auxiliary markets for home industries, which (2) led to increased employment for millions of workers in the metropolitan countries which in turn led to (3) a favourable situation for workers in the labour market, and this led to increased real wages for such workers. In this latter respect he differed from Luxemburg in so far as she argued that real wages would not rise. However, in broad outline his theory follows Luxemburg in seeing the 'third' market as a means of realizing surplus value.

Quite correctly Sternberg saw the crash of 1929 as the largest and most far-reaching economic crisis that capitalism had suffered up to that date (and indeed it can still be considered so). But it was not only the greatest crisis, '1929 was totally different from any [crisis] that preceded it'.‡

The decisive factor which differentiates this epoch so fundamentally from the whole century of development from Waterloo to Sarajevo, is that capitalism, which was and is compelled to increase its productive capacity and extend its production, had to do this in the post-war period without any important expansion of foreign markets. When the economic crisis came it was therefore inevitably more severe and universal than any other crisis in the history of capitalism.§

* Gollancz, London, 1947.

† *ibid.*, pp. 11–12.

† *ibid.*, p. 17.

§ *ibid.*, p. 42.

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Sternberg went on to point out that in most capitalist countries the crisis of 1929 had not been liquidated when war broke out in 1939, and that the war of 1939-45 only gave a temporary relief and that all the factors pointing to a renewed crisis were rapidly maturing in 1946.

The major de-stabilizing factor of the epoch, Sternberg said, was the creation of the Soviet Union in 1917. This is what had halted the expansion of the overseas markets and the situation post-1945 reinforced this. There is no doubt that in a number of respects Sternberg was correct - 1929 had been the most severe crisis, it had not been liquidated by 1939; the Soviet Union had taken one sixth of the world's surface out of the capitalist orbit; Japan and the U.S.A. had emerged in the inter-war years as new strong rivals to the older imperialist powers, so that there were more 'predators' to fight over the colonial world. Yet, as is now self-evident, he was wrong about a crash worse than 1929 occurring. But, then he was not alone in this; few in 1945 would have cared to predict such an unprecedented period of growth and prosperity for capitalism. This is not the place to examine the specific reasons for this period of growth, but it is clear that the 'third' market had led Sternberg very much astray when he made his firm prediction.

However, if that was all there was to Sternberg's book it would not have merited more than a passing reference. Having displayed the weakness of his position it is not only fair, but also more fruitful, to pass on to his strong side. Sternberg pointed out that of all the capitalist countries Nazi Germany was the only one that *did* 'liquidate' the crisis of 1929. This was done by means of the *Wehrwirtschaft* or 'war-preparation economy'. This was a new type of 'recovery' for a capitalist country, arms production was organized on an unprecedented scale, the economy not only reached, but surpassed by a third, the production of the pre-1929 period. 'The enormous volume of Germany's armament programme in peacetime can be seen by the fact that even before the outbreak of war the Nazi State controlled and directed approximately 50 per cent of Germany's national income for Government (read armament) purposes.'*

Sternberg proceeded with his analysis, working on the assumption that a crisis of a greater magnitude than that of 1929 would occur within the foreseeable future, unless certain steps were taken to counter this. Quite correctly he saw that the United States would play a preponderant role within the capitalist sphere of the world. Furthermore he noted the relatively small role that foreign trade played in relation to the whole U.S. economy. He argued therefore that there must be state intervention on a scale unknown before. He posited what he

* *ibid.*, p. 94.

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termed 'progressive' and 'reactionary' ways in which such state intervention could take place. The development of a U.S. *Wehrwirtschaft* was chosen as the most likely reactionary variant. 'Military preparations for modern warfare must be complemented by industrial preparations, and this means that in peacetime a considerable sector of production has to be turned over to armament production.'*

Moreover, this meant not only an absorption of surplus capital at the existing technological level; the very nature of modern weapons would themselves force a more rapid technical innovation. Because 'if the weapons produced are to be the last word in modern technique then a tremendous research and laboratory programme will have to be launched as well'.† 'The tremendous development of war technique, of which the discovery and use of the atomic bomb is such a drastic symbol, has shifted the main centre of the "*Wehrwirtschaft*" from the military to the industrial field, and in particular into the laboratory. . . .‡ Sternberg went on to point out that, because of this shift, it would be possible to develop a war-preparation economy without at the same time resorting to a full-scale militarization of the life of the nation, such as occurred in Nazi Germany. This being the case, it would be possible for very significant sectors of the economy to be absorbed for these purposes without any great resistance on the part of the population as a whole.

In this short note we have only been able to give a few highlights from the complex set of postulates and arguments that Sternberg advanced. However, we think they are sufficient to indicate that, despite the apparent limitations of the original basic thesis, there were some very powerful insights into the possible development of the capitalist economies in the post-war world. Apart from the now established fact that military and government expenditure generally have played a considerable role in sustaining the prolonged period of growth since 1945, Sternberg also gave some indication of the scientific and technological revolution that we have witnessed since that date. This insight can be attributed to the 'strong side' of Sternberg's Luxemburgism. It was Luxemburg who first saw the possibility inherent in arms production for the realization of surplus value, and the absorption of surplus capital. However, she only lived long enough to see the first, and by today's standards small, results of this process. Sternberg lived long enough to grasp the powerful possibilities presented to the capitalist class by such methods, and also the changes that such methods could bring about in the structures of capitalism itself.

* Gollancz, London, 1947, p. 185.

† *ibid.*, p. 187.

‡ *ibid.*, p. 192.

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